ING GROEP NV
Form 20-F
March 22, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

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

OR

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

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

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.

Bijlmerplein 888

1102 MG Amsterdam

P.O. Box 1800, 1000 BV Amsterdam

The Netherlands

(Address of principal executive offices)

Hans van Barneveld

Telephone: +31 20 541 8510

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

Bijlmerplein 888

1102 MG Amsterdam

The Netherlands

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

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

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

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

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

None

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

None

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

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

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

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

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

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

* This requirement does not currently apply to the registrant.

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

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

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

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

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

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

TABLE OF CONTENTS

Table of Contents

PRESENTATION OF INFORMATION

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

Table of Contents

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

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

changes in performance of financial markets, including developing markets,

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

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

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

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in investor, customer and policyholder behaviour,

changes in general competitive factors,

changes in laws and regulations,

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

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

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

EXCHANGE RATES

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

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

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

(1) The Noon Buying Rate at such dates differ from the rates used in the preparation of ING s consolidated financial statements as of such date. See Note 2.1 to the consolidated financial statements.

(2) The average of the Noon Buying Rates on the last business day of each full calendar month during the period.

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

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

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

Table of Contents

RISK FACTORS

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

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

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

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

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

- the unlocking of deferred acquisition costs (DAC) impacting earnings;
- reserve inadequacies which could ultimately be realised through profit and loss and shareholders equity;
- the write-down of tax assets impacting net results;
- impairment expenses related to goodwill and other intangible assets, impacting net results;
- movements in risk weighted assets for the determination of required capital;

- changes in credit valuation adjustments and debt valuation adjustments; and/or

- additional costs related to maintenance of higher liquidity buffers.

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

The default of a major market participant could disrupt the markets.

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

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

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

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

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

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

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

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

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

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

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

Basel III

In December 2010, the Basel Committee on Banking Supervision (Basel Committee) announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The Basel Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment, and limit leverage. Banks will be required to hold a capital conservation buffer to withstand

Table of Contents

future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduces a countercyclical buffer as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board (FSB) published measures in October 2011 that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures have begun in 2012 and full implementation is targeted for 2019. ING Bank was designated by the Basel Committee and FSB as one of the global systemically important banks (G-SIBs), forming part of the G-SIFIs, in November 2011 and November 2012, and by Dutch Central Bank (De Nederlandsche Bank N.V., DNB) and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and on-going discussions within the regulatory environment revisions have been made to the original Basel III proposals as was the case with the revised Liquidity Coverage Ratio in January 2013. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years.

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

Solvency II

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

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

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

Table of Contents

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

EU Insurance Guarantee Scheme

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

Dodd-Frank Act

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

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

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

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

Table of Contents

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

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

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

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

Dodd-Frank also established the Consumer Financial Protection Bureau (CFPB) as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The CFPB will have significant authority to implement and enforce federal consumer financial laws, including the new protections established under Dodd-Frank, as well as the authority to identify and prohibit unfair and deceptive acts and practices. In addition, the CFPB will have broad supervisory, examination and enforcement authority over certain consumer products, such as mortgage lending. Insurance products and services are not within the CFPB s general jurisdiction, and broker-dealers and investment advisers are not subject to the CFPB s jurisdiction when acting in their registered capacity.

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

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

Foreign Account Tax Compliance Act

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

Table of Contents

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

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

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

Dutch Intervention Act

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

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

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

Table of Contents

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

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

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

Additional Governmental Measures

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

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

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

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

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

General

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

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

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

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

U.S. Sovereign Credit Rating

After a period of uncertainty as to whether U.S. lawmakers would be able to reach the political consensus needed to raise the federal debt ceiling, and notwithstanding that U.S. lawmakers passed legislation to raise the federal debt ceiling before the U.S. actually defaulted on any of its obligations, in 2011, Standard & Poor s Ratings Group, Inc. (S&P) lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. Although other ratings agencies have not similarly lowered the long term sovereign credit rating of the United States of America, they have put that credit rating on review. Amid the lingering uncertainty over the future economic performance of the U.S. within the global economy and potential future budgetary restrictions in the U.S., there continues to be a perceived risk of a future sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. A downgrade of the sovereign credit ratings of the U.S. government and the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralised by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organisations will affect economic conditions. Such ratings actions could result in a significant adverse impact to the Group.

European Sovereign Debt Crisis

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

20

Table of Contents

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

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

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

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

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

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

General

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

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

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

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

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

Reinsurers

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

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

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

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

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

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

Declining interest rates may result in:

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

increased premium payments on products with flexible premium features;

Table of Contents

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

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

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

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

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

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

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

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

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

Rapidly increasing interest rates may result in:

- decrease the demand for loans;

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

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

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

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

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

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

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

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, we are a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are allocated among the participating banks by the DNB based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Schemes. Given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our

Table of Contents

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

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

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

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

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

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

ING Group may be unable to retain key personnel.

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

We have developed risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to the government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophe occurrence or other information that is publicly known or otherwise available to us. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

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

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

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

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

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

monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and/or regulatory changes resulting from such issues could have a material adverse effect on our reputation, operations and net result. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, might influence client expectations.

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

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

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

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

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

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

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

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

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

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

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

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

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

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

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

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

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

Operational risks are inherent in our business.

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

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

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

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

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

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

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

RISKS RELATED TO THE RESTRUCTURING PLAN

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

ADDITIONAL RISKS RELATING TO OWNERSHIP OF ING SHARES

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

Item 4. Information on the Company

GENERAL

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

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

Our mission

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

Our profile

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

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

Our strategy

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

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

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

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

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

Table of Contents

Our customers

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

Our stakeholders

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

Our corporate responsibility

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

CHANGES IN THE COMPOSITION OF THE GROUP

Acquisitions effective in 2012

There were no significant acquisitions in 2012.

Disposals announced in 2013

ING Vysya Life Insurance

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

Disposals effective in 2012

Insurance businesses in Malaysia

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

ING Direct Canada

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

ING Direct USA

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

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

36

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

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

Disposals announced in 2012 but not closed in 2012

ING s Insurance and investment management businesses in Asia

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

ING s investment management business in Thailand

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

Insurance in Hong Kong, Macau, Thailand

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

China Merchants Fund

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

ING s Malaysian investment management business

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

ING Direct UK

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

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

Table of Contents

RECENT DEVELOPMENTS

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

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

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

FINANCIAL AND REGULATORY ENVIRONMENT

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

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

Challenges in financial environment remain

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

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

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

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

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

Europe falls behind, signs of revival in US economy

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

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

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

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

IMPORTANT CHANGES IN REGULATION AND SUPERVISION

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

Banking union/single supervisory mechanism

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

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

Regulations drive up capital requirements

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

Table of Contents

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

Regulatory measures that impact liquidity

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

EU crisis management framework

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

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

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

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

Bank structural reform

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

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

Table of Contents

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

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

Solvency II

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

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

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

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

Comframe

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

Global Systemically Important Insurers (G-SIIs)

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

EU unisex rule

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

Table of Contents

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

Alternative investment fund managers directive

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

ING Bank reached agreement with the U.S. authorities

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

Dutch regulatory developments

Dutch Coalition Agreement

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

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

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

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

Stricter screening of bank employees to reduce risks.

Enshrining banks duty of care in law.

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

Moreover, the Dutch government has introduced a mandatory oath for Executive and Supervisory Board members of financial institutions licensed in the Netherlands, effective per 1 January 2013. In this oath, the Executive and Supervisory Board members of the relevant ING entities licensed in the Netherlands, declare that they (i) will perform their duties with integrity and care (ii) will carefully consider all the interests involved in the company, i.e. those of the customers, the shareholders, the employees and the society in which the company operates, (iii) in that consideration, will give paramount importance to the customer s interests and inform the customer to the best of their ability, (iv) will comply with the laws, regulations and codes of conduct applicable to them, (v) will observe secrecy in respect of matters entrusted to them, (vi) will not abuse their knowledge, (vii) will act in an open and assessable manner and know their responsibility towards society and (viii) will endeavour to maintain and promote confidence in the financial sector. If they break the oath, the supervisory authority (DNB/AFM) can decide to reassess their suitability.

Table of Contents

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

The policy intentions for the insurance sector include:

- Measures to be taken in the area of second pillar pensions basically focus on reducing the tax-favoured treatment of second pillar pensions per 1 January 2015.

- The increase of the insurance premium tax from 9.7% to 21% per 1 April 2013, causing a significant increase in insurance policy premiums.

- Fees for advice on annuities and disability insurance will no longer be tax-deductible, causing the price for advice to rise.

Bank Levy

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

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

Deposit Guarantee Scheme

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

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

The Banking Code Monitoring Committee

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

Dutch Parliamentary Committee on the Financial System

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

Table of Contents

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

GROUP STRATEGY

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

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

STRENGTHENING THE FINANCIAL POSITION

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

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

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

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

GOOD PROGRESS ON AND RENEWAL OF RESTRUCTURING PLAN

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

Table of Contents

Delivering on restructuring

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

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

- The operational separation of the insurance and banking activities, completed at the end of 2010.
- The sale of almost all of the Latin-American Insurance/IM operations in 2011.
- The sale of ING Direct USA, completed in February 2012.
- The first three sales of the Asian Insurance/IM units, announced in October 2012. Two additional sales were announced in November and December 2012.
- In November 2012, ING U.S. filed the registration statement for its IPO.

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

Amendments to the Restructuring Plan

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

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

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

- The divestment of more than 50% of the Asian Insurance/IM operations has to be completed by year-end 2013, with the remaining interest divested by year-end 2016. The divestment of at least 25% of ING U.S. has to be completed by year-end 2013, more than 50% has to be divested by year-end 2014, with the remaining interest divested by year-end 2016.
- The divestment of more than 50% of Insurance/IM Europe has to be completed by year-end 2015, with the remaining interest divested by year-end 2018.

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

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

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

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

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

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

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

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

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

Repayment of state aid

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

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

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

Portfolio streamlined, more divestments made

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

Table of Contents

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

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

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

BUSINESSES STRENGTHENED

Bank

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

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

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

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

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

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

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

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

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

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

Insurance/Investment Management

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

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

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

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

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

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

ING IN SOCIETY

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

Table of Contents

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

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

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

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

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

CONCLUSIONS AND AMBITIONS

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

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

CORPORATE GOVERNANCE

Legislative and regulatory developments

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

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

Transactions with the Dutch state

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

Shareholder participation and position of ING Trust Office

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

CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

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

Dutch banking code

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

50

Dutch Insurers Code

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

NYSE Requirements

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

CORPORATE ORGANIZATION

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

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

BUSINESS LINES

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

Retail Netherlands

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

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

Retail Belgium

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

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

Table of Contents

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

Retail Germany

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

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

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

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

Retail Rest of World

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

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

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

Commercial Banking

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

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

Industry Lending

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

General Lending and Transaction Services

Lending is core to building and supporting client relationships in Commercial Banking s target markets, with both corporate and financial institution clients. ING established the Transaction Services business line within Commercial Banking in 2011, bringing together all the basic transaction banking products under one umbrella with the objective of providing a more integrated and effective product offering to clients across Europe. The

Table of Contents

products are Payments & Cash Management, Trade Finance Services, Working Capital Solutions, Securities Services, Bank Mendes Gans and Leasing and Factoring.

Financial Markets

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

Bank Treasury, Real Estate and Other

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

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

Insurance Benelux

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

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

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

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

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

Insurance Central and Rest of Europe

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

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

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

Table of Contents

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

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

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

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

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

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

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

Annuities provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and post-retirement income management sold through multiple channels.
ING U.S. s Insurance Solutions business includes two product lines: Individual Life and Employee Benefits. It is one of the top providers of life insurance in the U.S. In its focus individual products, term and universal life, As of 30 September 2012 ING U.S. ranked fourth and eleventh, respectively, based on premiums sold. ING U.S. was also the fifth-ranked provider of medical stop loss coverage in the U.S. based on in-force premiums.

Individual Life provides wealth protection and transfer opportunities through universal, variable and term products, distributed through independent channels to meet the needs of a broad range of customers from the middle-market through affluent market segments. The Individual Life distribution model is supported by independent life sales agents (over 2,200 independent general agents with access to over 93,000 producers), strategic distribution (over 30 independent managing directors supporting approximately 6,900 additional producers) and specialty markets (approximately 75 general agents with access to over 7,400 producers).

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

Insurance U.S. Closed Block VA

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

ING Investment Management

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

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

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

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

PRINCIPAL GROUP COMPANIES

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

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

Global Regulatory Environment

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

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

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

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

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

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

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

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

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

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

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

Dodd-Frank Act

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which became law on 21 July 2010, represents an effort to comprehensively overhaul the regulation of U.S. financial institutions, and the structure certain U.S. financial markets, in response to the financial market crisis of 2008 and 2009. The Dodd-Frank Act includes a broad range of provisions with varying degrees of potential impact on ING s U.S. and non-U.S. operations. Many key details of these provisions were left to rulemaking by U.S. financial regulators.

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

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

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

BANKING

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

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

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

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

Table of Contents

these measures have begun in 2012 and full implementation is targeted for 2019. ING Bank has been designated by the Basel Committee and FSB as a so-called Global SIFI (G-SIFI), in November 2011 and November 2012, and by DNB and the Dutch Ministry of Finance as a domestic SIFI (D-SIFI) in November 2011.

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

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

Americas

United States

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

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

Anti-Money Laundering Initiatives and countries subject to sanctions

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

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

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

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

Canada

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

Asia/Pacific

Australia

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

APRA is responsible for the prudential regulation of banks and other deposit taking institutions, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. ASIC regulates corporate entities, markets, financial services and consumer credit activities. ASIC s aim is to protect markets and consumers from manipulation, deception and unfair practices and also promote confident participation in the financial system.

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

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

INSURANCE

Europe

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

ING Insurance s life and non-life subsidiaries in the EU are required to file detailed audited annual reports with their home country insurance supervisory authority. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial

Table of Contents

information. The authorizations granted by the insurance supervisory authorities stipulate the classes of business that an insurer may write an insurance policy for, and is required for every proposed new class of business. In addition, the home country insurance supervisory authority may require an insurer to submit any other information it requests and may conduct an audit at any time.

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

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

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

Americas

United States

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

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

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

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

Mexico

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

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

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

Argentina

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

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

Private pension fund businesses in Argentina were nationalized on 9 December 2008, pursuant to law 26.425. This law ordered all Private Pension Fund Managers (AFJP) to transfer the pension funds they then held to the ANSES (Administración Nacional de la Seguridad Social), the Argentine State social security system. As a result of the nationalization of the Argentine pension fund system, ANSES has taken over control of the private pension funds and ING s Argentine AFJP will ultimately be liquidated. During this liquidation process, the AFJP is regulated by the General Inspection of Justice (*Inspección General de Justicia*).

Asia/Pacific

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

Japan

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

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

South Korea

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

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

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

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

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

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

Table of Contents

COMPETITION

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

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

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

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

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

RATINGS

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

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

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

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

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

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

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

Table of Contents

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. See Item 3. Key information Risk Factors for more factors that can impact ING Group s results of operations.

Financial environment

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

General market conditions

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

Fluctuations in equity markets

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

Fluctuations in interest rates

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

Table of Contents

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

Fluctuations in exchange rates

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

For the years 2012, 2011 and 2010, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

Average	4Q 2012	3Q 2012	2Q 2012	1Q 2012
U.S. dollar	1.303	1.260	1.289	1.323
Australian dollar	1.253	1.215	1.265	1.259
Canadian dollar	1.293	1.258	1.297	1.324
Pound sterling	0.808	0.795	0.813	0.837
Japanese yen	106.304	98.847	103.318	104.628
South Korean won	1,416.763	1,424.028	1,477.039	1,498.021
Turkish lira	2.334	2.275	2.320	2.373
Polish zloty	4.107	4.160	4.243	4.243

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

Table of Contents

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

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

Sovereign Debt Exposures

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

Critical Accounting Policies

See Note 2.1 to the consolidated financial statements.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

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

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

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 2012, 2011 and 2010:

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents

SEGMENT REPORTING

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

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

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

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

- Operating result
- Non-operating items

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

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

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

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

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

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

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

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

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

Table of Contents

BANKING OPERATIONS

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

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

* including intangibles amortization and other impairments

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

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

* including intangibles amortization and other impairments

Table of Contents

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

* including intangibles amortization and other impairments

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

RETAIL NETHERLANDS

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

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

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

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

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

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

Table of Contents

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

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

RETAIL BELGIUM

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

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

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

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

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

The underlying result before tax of Retail Belgium fell 16.1% on 2010, as a slight decline in income was accompanied by higher operating expenses. Income decreased 0.8% compared to 2010, mainly due to EUR 17 million of impairments on Greek government bonds. Interest result remained flat, as decline in margins was compensated by higher volumes, particularly in savings and lending. Net production in mortgages totaled EUR 3.0 billion in 2011, while production in other lending was EUR 3.2 billion. The net production in funds entrusted was EUR 3.0 billion, mainly driven by the success of the Orange Book savings product in the beginning of that ear. Operating expenses increased 6.5% on 2010 to EUR 1,432 million, mainly reflecting higher staff expenses, increased contribution to the deposit guarantee scheme and higher marketing expenses. The addition to the provision for loan losses declined 9.4%, to EUR 145 million, or 77 basis points of average risk weighted assets, mainly attributable to releases in the mid-corporate segment.

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

RETAIL GERMANY

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

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

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

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

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

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

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

RETAIL REST OF WORLD

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

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

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

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

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

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

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

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

COMMERCIAL BANKING

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

INSURANCE OPERATIONS

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

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

Table of Contents

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

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

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

84

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

Table of Contents

INSURANCE BENELUX

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

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

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

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

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

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

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

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

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

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

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

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

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

INSURANCE CENTRAL AND REST OF EUROPE

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

INSURANCE UNITED STATES

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

INSURANCE US CLOSED BLOCK VA

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

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

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

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

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

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

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

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

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

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

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

ING INVESTMENT MANAGEMENT

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

CONSOLIDATED ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

9,923

95

Table of Contents

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

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

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

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

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

Table of Contents

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

ING Group Consolidated Cash Flows

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

Capital Adequacy

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

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

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

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

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

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

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

ING Bank Cash Flows

The principal sources of funds for ING Bank s operations are growth of the retail funding, which mainly consists of current accounts, savings and retail deposits, repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses (see Item 11 Quantitative and Qualitative Disclosure of Market Risk).

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

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

Table of Contents

Specification of cash position (EUR millions):

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

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

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

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

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

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

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

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

Specification of cash position (EUR millions):

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

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

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

Table of Contents

million) and a cash outflow of loans and advances to customers of EUR 26,392 million (compared to a cash outflow in 2010 of EUR 19,665).

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

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

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

Capital Adequacy

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

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

Capital position of ING Bank

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

(1) According to the regulatory definition.

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

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

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

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

Table of Contents

ING Insurance Cash Flows

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

(1) Hybrids issued by ING Group at notional value

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

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

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 unrealized gains and losses on debt securities, goodwill and the cash flow hedge reserve and includes hybrid capital and the Core Tier 1 Securities. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. Adjusted equity for 2012, 2011 and 2010 is reconciled to shareholders equity as follows:

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

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

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

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

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

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

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

Table of Contents

Off-Balance-Sheet-Arrangements

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

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

Contractual obligations

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

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

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

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

Table of Contents

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

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

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

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

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

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

As a consequence of the transaction between ING Group and the Dutch State, the Dutch State recommended Lodewijk de Waal and Tineke Bahlmann for appointment to the Supervisory Board. Following such recommendation, Lodewijk de Waal and Tineke Bahlmann were appointed by the General Meeting on 27 April 2009. The current terms of appointment of Tineke Bahlmann and Lodewijk de Waal will expire at the end of the 2013 annual General Meeting. Tineke Bahlmann is recommended for reappointment by the Dutch State. Lodewijk de Waal has decided not to apply for reappointment. The Dutch State has indicated to not use its right to recommend a second candidate for appointment as a member of the Supervisory Board at this moment.

Function of the Supervisory Board

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events of ING Group and its businesses, as well as to provide advice to the Executive Board. In line with Dutch company law, the Corporate Governance Code and the Articles of Association, the Supervisory Board Charter requires all members of the Supervisory Board, including the State Nominees, to act in accordance with the interests of ING Group and the business connected with it, taking into account the relevant interests of all the stakeholders of ING Group, to perform their duties without mandate and independent of any interest in the business of ING Group, and to refrain from supporting one interest without regard to the other interests involved.

Certain resolutions of the Executive Board, specified in the Articles of Association of ING Group, the Executive Board Charter and in the Supervisory Board Charter, are subject to the approval of the Supervisory Board.

Table of Contents

As long as the IABF continues, certain resolutions of the Supervisory Board are subject to the condition that no State Nominee shall have voted against the proposal. These rights became effective as from the 2009 annual General Meeting. These resolutions relate to the following matters:

a. the issuance or acquisition of its own shares by ING Group, other than related to the Securities issuance (including, for the avoidance of doubt, for the purpose of conversion or financing of a repurchase of Securities), as part of regular hedging operations or in connection with employment schemes;

b. the cooperation by ING Group in the issuance of depositary receipts for shares;

c. the application for listing on or removal from the price list of any stock exchange of the securities referred to in a. or b.;

d. the entry into or termination of a lasting cooperation between ING Group or a dependent company and another legal entity or partnership or a general partner in a limited partnership or general partnership where such cooperation or termination thereof has a material significance for ING Group, i.e. amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

e. the acquisition by ING Group or a dependent company of a participating interest in the capital of another company amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto or a material increase or decrease in the magnitude of such participating interest;

f. investments involving an amount equal to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

g. a proposal to wind up ING Group;

h. filing of a petition for bankruptcy or moratorium of ING Group;

i. a proposal to reduce the issued capital of ING Group (other than related to the Securities issuance);

j. a proposal for merger, split-off or dissolution of ING Group;

k. a proposal to change ING Group s remuneration policy; and

l. appointment of the chief executive officer of the Executive Board.

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the Supervisory Board and ING s wide range of activities that such individuals may become members of the Supervisory Board of ING Group. There is, however, a restriction in that only one in every five other members of the Supervisory Board may be a former member of the Executive Board. In addition, this member must wait at least one year after resigning from the Executive Board before becoming eligible for appointment to the Supervisory Board. Former members of the Executive Board are not eligible for appointment to the position of chairman or vice-chairman of the Supervisory Board.

After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board s committees. However, appointment to the position of chairman of a committee is only possible if the individual in question resigned from the Executive Board at least four years prior to such appointment.

ING Group aims to have an adequate and balanced composition of its Supervisory Board. Thereto, annually, the Nomination Committee assesses the composition of the Supervisory Board. In the context of such assessment, ING Group aims to have a gender balance by having at least 30% men and at least 30% women amongst its Supervisory Board members. However, because of the fact that ING Group needs to balance several relevant selection criteria when composing its Supervisory Board, the composition of the Supervisory Board did not meet the above-mentioned gender balance in 2012. ING Group will continue to strive for an adequate and balanced composition of its Supervisory Board in future appointments, by taking into account all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance and experience in the political and social environment.

Term of appointment of members of the Supervisory Board

A member of the Supervisory Board retires no later than at the end of the first general meeting held four years after his or her last appointment or reappointment. In accordance with the Corporate Governance Code, members of the Supervisory Board may as a general rule be reappointed for two additional four-year terms. Under special circumstances however, the Supervisory Board may deviate from this general rule, among others in order to maintain a balanced composition of the Supervisory Board and/or to preserve valuable expertise and experience. As a general rule, members of the Supervisory Board shall also resign at the end of an annual general meeting in the year in which they attain the age of 70 and shall not be reappointed. The schedule for resignation by rotation is available on the website of ING Group (www.ing.com).

Ancillary positions /Conflicting interests

Members of the Supervisory Board are asked to provide details on any other directorships, paid positions and ancillary positions they may hold. Such positions may not conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Corporate Governance Committee to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside the Group.

Members of the Supervisory Board are to disclose material conflicts of interest and potential conflicts of interest and to provide all information relevant thereto. Thereupon the Supervisory Board without the member concerned taking part decides whether a conflict of interest exists. In case of a conflict of interest, the relevant member of the Supervisory Board abstains from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Supervisory Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) such disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents such disclosure; and/or (iii) the information is so competition-sensitive that disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, with the exception of any loans that may have been granted.

Independence

Annually, the members of the Supervisory Board are requested to assess whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, with the exception of Luc Vandewalle, are to be regarded as independent on 31 December 2012. Luc Vandewalle is not to be considered independent because of his former position at ING Belgium. Members of the Supervisory Board to whom the independence criteria of the Corporate Governance Code do not apply, and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.

Company secretary

ING Group s company secretary is Jan-Willem Vink, general counsel of ING Group.

Committees of the Supervisory Board

On 31 December 2012, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee.

The organisation, powers and conduct of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the five Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING s internal and external auditors. On 31 December 2012, the members of the Audit Committee were: Joost Kuiper (chairman), Tineke Bahlmann, Henk Breukink, Jan Holsboer, Yvonne van Rooy and Luc Vandewalle.

The Supervisory Board has determined that Joost Kuiper is a financial expert as referred to in the Corporate Governance Code. Joost Kuiper was appointed as the chairman of the Audit Committee on 9 May 2011. Joost Kuiper is considered by the Supervisory Board as financial expert because of his relevant knowledge and experience.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING as a whole as well as the structure and operation of the internal risk management and control systems. On 31 December 2012, the members of the Risk Committee were: Piet Klaver (chairman), Tineke Bahlmann, Joost Kuiper, Luc Vandewalle and Jeroen van der Veer.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING and its subsidiaries are based. On 31 December 2012, the members of the Remuneration Committee were: Peter Elverding (chairman), Piet Klaver, Jeroen van der Veer and Lodewijk de Waal.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. On 31 December 2012, the members of the Nomination Committee were: Jeroen van der Veer (chairman), Peter Elverding, Piet Klaver and Lodewijk de Waal.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the General Meeting and advises the Supervisory Board on improvements. On 31 December 2012, the members of the Corporate Governance Committee were: Henk Breukink (chairman), Jeroen van der Veer and Lodewijk de Waal.

The current composition of the Supervisory Board Committees can be found on the Company s website (www.ing.com), which is updated on a regular basis.

Remuneration and share ownership

The remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Supervisory Board in these shares and depositary receipts for shares are subject to the ING regulations regarding insiders. These regulations are available on the website of ING Group (www.ing.com).

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

JEROEN VAN DER VEER (CHAIRMAN)

(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2013)

Former chief executive officer of Royal Dutch Shell plc. Other business activities: until the end of the AGM in May 2013, non-executive director of Royal Dutch Shell plc. Chairman of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed companies). Member of the Supervisory Board of Het Concertgebouw N.V. Chairman of the Supervisory Council of Nederlands Openluchtmuseum. Member of the Board of Nationale Toneel (theatre). Chairman of the Supervisory Council of Platform Bèta Techniek. Chairman of the Advisory Council of Rotterdam Climate Initiative. Member of the Governing Board of European Institute of Innovation & Technology (EIT).

PETER A.F.W. ELVERDING (VICE-CHAIRMAN)

(Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2015)

Former chairman of the Managing Board of Directors of Koninklijke DSM N.V. Former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch central bank). Other business activities: chairman of the Supervisory Board of Koninklijke BAM Groep N.V. (listed company). Vice-chairman of the Supervisory Board of SHV Holdings N.V. Chairman of the Supervisory Board of Q-Park N.V. Chairman of the Supervisory Board of Camille Oostwegel Holding B.V. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Member of the Board of Stichting Instituut GAK.

J.P. (TINEKE) BAHLMANN

(Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2013)

Professor in Business Administration, University of Utrecht. Other business activities: vice-chairman of the Supervisory Board of N.V. Nederlandsche Apparatenfabriek Nedap (listed company). Member of the Supervisory Board of Stedin Netbeheer B.V. Member of the Board of Maatschappelijk Verantwoord

108

Table of Contents

Ondernemen Nederland (CSR). Chairman of the Supervisory Council of Maasstad Ziekenhuis (hospital). Chairman of Stichting Max Havelaar. Member of the Board of Toneelgroep Amsterdam (theatre).

HENK W. BREUKINK

(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2015)

Former managing director of F&C and country head for F&C Netherlands (asset management firm). Other business activities: member of the Supervisory Board of NSI N.V. (real estate fund) (listed company). Member of the Supervisory Board of Brink Groep BV. Chairman of the Supervisory Board of Heembouw Holding B.V. Chairman of the Supervisory Council of Omring (health care institution). Member of the Supervisory Board of HaagWonen (housing corporation). Chairman of the Supervisory Council of Inholland University.

JAN H. HOLSBOER

(Born 1946, Dutch nationality, male; appointed in 2012, term expires in 2016)

Former member of the Executive Board of Univar N.V. and former member of the Executive Boards of ING Group and Nationale- Nederlanden. Other business activities: non-executive (senior independent) director of PartnerRe Ltd. (Bermuda). Chairman of the Supervisory Board of TD Bank N.V. Non-executive director of YAFA S.p.A. (Turin, Italy). Member of the Supervisory Board of YAM Invest N.V. Chairman of the Supervisory Board of Vither Hyperthermia B.V. Chairman of the Executive Board of Panorama Mesdag B.V. Chairman of the Board of Foundation Imtech. Member of the Investment Committee of the Dutch Cancer Society.

SJOERD VAN KEULEN

(Born 1946, Dutch nationality, male; appointed in 2011, will resign in 2013)

Former chairman of the Executive Board of SNS Reaal N.V. Other business activities: member of the Supervisory Board of Heijmans N.V. (listed company). Member of the Supervisory Board of Vado Beheer B.V. Vice-chairman of the Supervisory Committee of World Wildlife Fund. Chairman of the Board of Investment Fund for Health in Africa. Member of the Board of Health Insurance Fund. Advisory member of the Supervisory Board of Stichting PharmAccess International. Member of the Supervisory Board of Stichting Natuur en Milieu.

PIET C. KLAVER

(Born 1945, Dutch nationality, male; appointed in 2006, will resign in 2013)

Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: chairman of the Supervisory Board of PostNL N.V. (listed company). Chairman of the Supervisory Board of each of Koninklijke Dekker B.V., Credit Yard Group B.V., Dura Vermeer Groep N.V. and Blokker Holding B.V. Vice-chairman of the Supervisory Board of SHV Holdings N.V. Member of the Board of the African Parks Foundation.

JOOST CH.L. KUIPER

(Born 1947, Dutch nationality, male; appointed in 2011, term expires in 2015)

Former member of the Executive Board of ABN AMRO Bank N.V. Other business activities: chairman of the Supervisory Board of IMC B.V. Member of the Supervisory Board of Hespri Holding B.V. Member of the Supervisory Council of Nexus Institute. Board member of each of Stichting voor Ooglijders, Prins Bernhard Cultuurfonds and Aanwending Loterijgelden Nederland. Member of the Advisory Board of Boelens de Gruyter. Member of the Advisory Board of Boron.

ROBERT W.P. REIBESTEIN

(Born 1956, Dutch nationality, male; appointed in 2012, term expires in 2016)

Former senior partner of McKinsey & Company. Other business activities: member of the Supervisory Board of IMC B.V. Chairman of the Board of Royal Concertgebouw Orchestra. Member of the Board of Overseers Columbia University Business School. Member of the Supervisory Board of World Wildlife Fund. Member of the European Council on Foreign Relations. Vice-chairman of the Supervisory Board of Leiden University. Vice-chairman of the Board of VVD (political party).

YVONNE C.M.T. VAN ROOY

(Born 1951, Dutch nationality, female; appointed in 2012, term expires in 2016)

Former Minister of Foreign Trade, member of the Dutch Parliament and member of the European Parliament. Former president of Utrecht University. Other business activities: chairman of Nederlandse Vereniging van Ziekenhuizen (Dutch association of hospitals). Member of the Board of Trust Foundation Koninklijke Brill N.V. Member of the Board of Royal Concertgebouw Orchestra. Member of the Advisory Board of Nexus Institute. Member of the Board of Stichting Instituut GAK. Member of the Advisory Board of Stichting Nationaal Fonds Kunstbezit.

Table of Contents

LUC A.C.P. VANDEWALLE

(Born 1944, Belgian nationality, male; appointed in 2011, term expires in 2014)

Former chairman and non-executive member of ING Belgium NV/SA. Other business activities: chairman of the Supervisory Board of each of Bakker Hillegom B.V., Domo Real Estate, Matexi Groep, Plu Holding, Transics International and Alinso N.V. Member of the Supervisory Board of each of Allia Insurance Brokers, Arseus, Besix Groep, Galloo, Masureel Veredeling, Sea-Invest, Sioen Industries, Vergroup, Veritas and Willy Naessens Industriebouw.

LODEWIJK J. DE WAAL

(Born 1950, Dutch nationality, male; appointed in 2009, term expires in 2013)

Former general manager of Humanitas. Other business activities: member of the Supervisory Board of PGGM N.V. Member of the Advisory Board of Zorgverzekeraars Nederland. Chairman of the Advisory Board of Stichting Nationaal Fonds Kunstbezit. Member of the Netherlands National Contact Point (NCP) of the OECD. Chairman of the Supervisory Council of Museum Volkenkunde. Chairman of the Platform Slim Werken Slim Reizen . Member of the Toetsingscommissie Beloningen Woningcorporaties.

Changes in the composition

At the 2012 annual General Meeting Jan Holsboer, Robert Reibestein and Yvonne van Rooy were appointed as members of the Supervisory Board. Aman Mehta retired at the end of the 2012 annual General Meeting.

Sjoerd van Keulen and Piet Klaver will resign at the end of the 2013 annual General Meeting. The current terms of appointment of Jeroen van der Veer, Tineke Bahlmann and Lodewijk de Waal will expire at the end of the 2013 annual General Meeting. Lodewijk de Waal has decided not to apply for reappointment. At this meeting, Jeroen van der Veer and Tineke Bahlmann will be nominated for reappointment. Tineke Bahlmann is recommended for reappointment by the Dutch State. The Nomination Committee and the Supervisory Board will continue to strive for an adequate and balanced composition of its Supervisory Board when selecting and nominating new members for appointment.

More information can be found in the convocation for the 2013 annual General Meeting, available on the website of ING Group (www.ing.com) from 28 March 2013.

EXECUTIVE BOARD

Appointment and dismissal

Members of the Executive Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital. Candidates for appointment to the Executive Board must comply with the suitability and reliability requirements set out in the Dutch Financial Supervision Act and must continue to meet these while in office.

Members of the Executive Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Executive Board that has not been proposed by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

Function of the Executive Board

The Executive Board is charged with the management of ING Group, which means, among other things, that it is responsible for the setting and achieving of the Company s objectives, strategy and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group. The Executive Board is accountable for the performance of these duties to the Supervisory Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the website of ING Group (www.ing.com).

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. It is available on the website of ING Group (www.ing.com) and at the ING Group head office. ING Group aims to have an adequate and balanced composition of its Executive Board. Thereto, annually, the Supervisory Board assesses the composition of the Executive Board. In the context of such assessment, ING Group aims to have a gender balance by having at least 30% men and at least 30% women amongst its Executive Board members.

However, because of the fact that ING Group needs to balance several relevant selection criteria when composing its Executive Board, the composition of the Executive Board did not meet the above-mentioned gender balance in 2012. ING Group will continue to strive for an adequate and balanced composition of its Executive Board in future appointments, by taking into account all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance of large stock-listed companies and experience in the political and social environment.

Remuneration and share ownership

Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

Ancillary positions/Conflicting interests

No member of the Executive Board has corporate directorships at listed companies outside ING. This is in accordance with ING Group s policy to avoid conflicts of interest

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the foregoing, loans does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

In case of a conflict of interest, the relevant member of the Executive Board abstains from discussions and decision-making on the topic or the transaction in relation to which that Board member has a conflict of interest with ING Group. If all members of the Executive Board have a conflict of interest, the decision will be taken by the Supervisory Board.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

JAN H.M. HOMMEN, CHIEF EXECUTIVE OFFICER

(Born 1943, Dutch nationality, male; appointed in 2009, term expires in 2013)

Jan Hommen graduated with a master s degree in Business Economics from Tilburg University. He was appointed a member of the Executive Board on 27 April 2009. He is also CEO of ING Bank N.V. and CEO of ING Verzekeringen N.V. Jan Hommen was a member of the Supervisory Board of ING Group as of 1 June 2005 and became chairman of the Supervisory Board of ING Group in January 2008. Until 1 May 2005, he was vice-chairman and chief financial officer of Koninklijke Philips Electronics N.V. From 1975 to 1997, he worked for Alcoa Inc. From 1978, he worked at the Alcoa head office in the US, becoming chief financial officer in 1991. Jan Hommen is a member of the board of Royal Concertgebouw Orchestra and a member of the Supervisory Board of PSV (football club). Seven Group staff departments report directly to Jan Hommen: Legal Department Group, Corporate Human Resources, Corporate Development, Corporate Communications, Group Public & Government Affairs, Sustainability and Corporate Audit Services.

PATRICK G. FLYNN, CHIEF FINANCIAL OFFICER

(Born 1960, Irish nationality, male; appointed in 2009, term expires in 2013)

Patrick Flynn is a Chartered Accountant and a member of the Association of Corporate Treasurers in the UK. He also holds a bachelor s degree in Business Studies from Trinity College Dublin. He was appointed a member of the Executive Board of ING Group on 27 April 2009. From 2007 to 2009, he was the chief financial officer of HSBC Insurance Holdings Ltd. Patrick Flynn is responsible for ING s finance departments and Investor Relations.

Table of Contents

WILFRED NAGEL, CHIEF RISK OFFICER

(Born 1956, Dutch nationality, male; appointed in 2012, term expires in 2016)

Wilfred Nagel was chief executive officer of ING Bank Turkey until his appointment as a member of the Management Board Banking and the Management Board Insurance as of 5 October 2011. Wilfred Nagel joined ING in 1991 and has held various positions including Global Head Credit Risk Management from 2002 to 2005 and CEO Wholesale Banking in Asia from 2005 to 2010. He was appointed a member of the Executive Board of ING Group on 14 May 2012. Wilfred Nagel is responsible for ING s risk management departments including compliance.

Changes in the composition

The current terms of appointment of Jan Hommen and Patrick Flynn will expire at the end of the 2013 annual General Meeting. At this meeting, they will be nominated for reappointment. The Supervisory Board will propose to reappoint Patrick Flynn as a member of the Executive Board for a consecutive period of four years, ending after the annual General Meeting in 2017. The Supervisory Board will propose to reappoint Jan Hommen as a member of the Executive Board for the period until 1 October 2013. The Supervisory Board will propose to the annual General Meeting of 13 May 2013 to appoint Ralph Hamers (born 1966, Dutch nationality, male) as a member of the Executive Board for a consecutive period of four years, ending after the annual General Meeting in 2017. The Supervisory Board intends to appoint Ralph Hamers as chairman of the Executive Board and CEO as of 1 October 2013.

REMUNERATION REPORT

This section sets out the remuneration for the Executive Board and the Supervisory Board. The senior management remuneration policy and remuneration structure are also included.

The remuneration policy for the Executive Board was adopted by the annual General Meeting (AGM) on 27 April 2010, adjustments to the remuneration policy in line with new regulatory developments were adopted by the AGM on 9 May 2011. In addition, the Remuneration report provides information on the remuneration paid in 2012. ING realises that remuneration in the financial sector continued to be a topic of heated debate, also in 2012. Therefore, ING already implemented a new policy in 2010 with an increased emphasis on, among others, creating a moderate and balanced compensation mix, long-term value creation and non-financial targets.

The primary objective of the remuneration policy is to enable ING to retain and recruit qualified and expert leaders, senior staff and other highly qualified employees. In accordance with the Dutch Banking Code ING s remuneration policy for the Executive Board aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets. In 2012 the Executive Board did not receive a salary increase and no variable compensation was paid as ING had not completely repaid all outstanding core Tier 1 securities that were issued to the Dutch State. The remuneration policy put in place by the Supervisory Board and adopted by the 2010 AGM has been superseded by legal requirements put in place by the Dutch Legislator that no variable compensation can be paid to the Executive Management as long as financial support from the Dutch State is still outstanding.

The base salary level of the Executive Board remained at the 2010 level and for the fourth consecutive year no variable compensation was paid to the Executive Board. Remuneration of the Executive Board of ING is now in the lowest decile of compensation for managerial positions of equivalent significance and complexity in Europe and the gap between market median levels and total compensation of the Executive Board has become very significant. This could have severe consequences for the ability to attract and retain qualified senior management.

REMUNERATION POLICY

ING s remuneration policy is an integral part of ING s corporate strategy and risk profile and maintains a sustainable balance between short-term and long-term value creation, building on our long-term responsibility towards society, our clients and all other stakeholders.

Remuneration at ING is appropriately set against a variety of factors, such as the complexity of functions, the scope of responsibilities, market practice and competitiveness, the alignment of risks and rewards, and the long-term objectives of the company and its stakeholders, which is all the more important given the continuously changing regulation and international standards for responsible remuneration. These factors differ for each role, line of business and country. This is especially the case for ING with its operations in more than 40 countries

and 84,718 employees of whom around 58,200 are based outside the Netherlands (over 58% of senior management is non-Dutch). As much as possible for a global financial institution of this size, ING aims to take account of all these differences and also of the standards applied within similar financial institutions in the various countries in which it operates.

PERFORMANCE MANAGEMENT PRINCIPLES

Performance management is a core business process to align individual performance objectives with the long-term strategy of the business of ING Group and to ensure a sustainable and successful business for all its stakeholders. ING Group operates a performance management process linked to remuneration to prevent rewarding for failure and to address the long-term impact of the profitability of the organisation within the risk appetite framework approved by the Supervisory Board of ING Group.

Performance measurement, ex-ante and post risk adjustment

In determining the overall size of ING s variable remuneration pools, ex-ante measures are applied to adjust for current year and prior year changes in the risk profile, as well as for any known future potential risk profile changes. To determine whether to award any variable remuneration in a given performance year depending on the business activity, the following qualifiers will need to be satisfied: return on equity, core Tier 1 ratio and debt-to-equity ratio.

In 2012, ING fully implemented the required changes to its remuneration policies in order to comply with the Capital Requirements Directive III (CRD III). This includes arrangements to defer, hold back and where necessary claw back variable compensation.

The performance assessment of Identified Staff or the ING Group as a whole extends beyond the date that variable remuneration awards are made and continues as part of a multi-year framework. In this way a longer-term horizon is established that ensures that variable remuneration continues to remain at risk due to any issues or staff behaviours (including former staff) that were not apparent (or foreseen) at the time variable remuneration was awarded. In doing so, we have extended the performance assessment of all Identified Staff of ING Group beyond the date that variable awards are made.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

The remuneration of Executive Board members consists of a combination of fixed compensation (base salary) and variable remuneration (together, total direct compensation), pension arrangements and benefits as described below.

Total direct compensation: moderation and reduced emphasis on variable remuneration

Total direct compensation levels are based on market data that include peers both inside and outside the financial sector in the international context in which ING operates. Total direct compensation is benchmarked against a peer group of companies that, in the opinion of the Supervisory Board, are comparable with ING in terms of size and scope. In line with the foregoing, the Supervisory Board has determined that the peer group consists of the companies in the Dow Jones EURO STOXX 50 index. These are 50 companies, in a range of financial and non-financial industries, which are based in countries within the economic and monetary union of the European Union. In accordance with the Dutch Banking Code, ING s remuneration policy for the Executive Board aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets.

In addition, the remuneration policy provides for a balanced mix between fixed and variable remuneration. Variable remuneration will not exceed 100% of fixed salary at the time of allocation. Fixed compensation (i.e. the base salary levels) will be determined in line with the relevant market environment as an integral part of total direct compensation, and will be reviewed from time to time by the Supervisory Board. The policy provides for an at target variable remuneration of 40% in cash and 40% in stock (in total 80%) of base salary if performance criteria are met. If performance criteria (as predetermined by the Supervisory Board) are exceeded, the variable component can be increased from target to maximum, not exceeding 100% of base salary at the time of allocation.

Emphasis on long-term value creation

The remuneration policy for the Executive Board combines the short and long-term variable components into one structure. This structure intends to support both long-term value creation and short-term company

113

Table of Contents

objectives. The emphasis on long-term performance indicators within the variable component of the compensation package is increased by means of deferral, a reasonableness test and claw back mechanisms.

The allocation of variable remuneration is conditional on the achievement of a number of performance objectives. The short- term component, at maximum 40% of total variable remuneration, is equally divided between cash and stock and awarded in the year following the performance year. The other 60% of the total variable remuneration is deferred and also equally divided between cash and stock. This long-term component is intended to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award is set such that total variable remuneration at the time that the maximum number of shares to be granted is determined stays within the 100% limit.

The long-term component, consisting of two equal portions of cash and stock, will be subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). The entire long-term component is subject to an ex-post performance assessment by the Supervisory Board. The ex-post performance assessment cannot lead to an upward adjustment of the value of the cash deferred portion or the number of deferred shares.

Executive Board members are not allowed to sell depositary receipts for shares, obtained as a member of the Executive Board ING Group, and within a period of five years from the grant date. However, they are allowed to sell part of their depositary receipts for shares at the date of vesting to pay tax over the vested share award.

Risk adjusted sustainable and responsible performance

Executive Board members remuneration is directly linked to the achievement of performance criteria critical to the execution of ING Group s strategy. In 2012, ING took significant steps to further complete the restructuring plans, rebuild customer trust and to deliver strong performance in the Bank and in Insurance. This is reflected in the individual performance criteria set for Executive Board members. The performance of the Executive Board is annually set and measured against different financial and non- financial performance drivers.

The financial targets are built around the priorities to strengthen the capital and funding positions for the Banking and Insurance entities as we execute on the restructuring of the Group and prepare the businesses for standalone futures. The financial targets related to the banking operations are aligned with the priorities presented in ING s Ambition 2015 priorities, which were communicated to the investor community in January 2012.

Financial performance indicators include:

1. Underlying net profit for ING Group

2. Reduce double leverage in ING Group

3. Reduce the loan-to-deposit ratio of ING Bank to strengthen liquidity position ahead of Basel III

4. Reduce leverage in Insurance US in preparation for IPO base case

5. Reduce leverage in Insurance EurAsia to prepare for standalone future

Non-financial performance indicators include:

The non-financial indicators depend on the specific responsibilities of the individual Executive Board member and typically include:

1. Improve customer centricity, including full implementation of Net Promoter Score measurement across the Bank and Insurance companies

2. Improve sustainable business practices and corporate responsibility based on the KPIs published annually in the ING Sustainability Report

3. Execute the restructuring and separation plans for the Group and continue repayment of Dutch State

4. Improve employee engagement across the Banking and Insurance operations

5. Improve leadership development, strengthen talent pipeline, retention and diversity

6. Improve operational excellence

ING values and leadership

ING leadership behaviours are also evaluated as part of each Executive Board member s annual performance appraisal. The overall appraisal along with performance on predefined indicators is part of ING s Remuneration Committee review in determining variable remuneration.

Table of Contents

Continued focus on risk

Variable remuneration is directly linked to risk and takes into consideration both individual and company performance criteria. Performance measurement accounts for estimated risks and costs of capital.

Pensions Executive Board members

Members of the Executive Board, who are employed on the basis of a Dutch employment contract, will participate in the defined contribution pension plans introduced in 2010 as part of the remuneration policy. Individual Board members participating in the pension plan that existed before the introduction of the 2010 plans were given the choice to keep their existing pension arrangement. This existing pension arrangement, approved by the 2006 AGM, is based on a defined contribution plan. Alternatively, they can switch to the 2010 arrangements.

Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING s Collective Labour Agreement (CLA) in the Netherlands.

Members of the Executive Board working on a non-Dutch employment contract will be offered pensions in line with local practices.

Benefits

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

Tenure

The contract of employment for Executive Board members provides for an appointment for a period of four years and allows for reappointment by the General Meeting. In the case of an involuntary exit, Executive Board members are eligible to an exit arrangement limited to one year base salary.

OTHER ITEMS FOR SUPERVISORY BOARD DISCRETION

Claw back and adjustments

The Supervisory Board has the authority to reclaim variable remuneration allocated to a member of the Executive Board based on inaccurate data and/or behaviour that led to significant harm to the company. The Supervisory Board also has the authority to adjust variable remuneration if application of the predetermined performance criteria results in undesired outcomes. Accordingly, the Supervisory Board has decision authority in situations not addressed in the policy.

Special employment conditions

Special employment conditions, such as commitments made to secure the recruitment of new executives, may be used in exceptional circumstances subject to strict control by the Supervisory Board.

Supervisory Board discretion to review the policy and the remuneration paid

ING is expected to undergo significant changes during the coming years. Moreover, the relevant international employment market is very much in flux. In order to ensure that ING can adapt to these two uncertain factors, the Supervisory Board indicated in 2010 and 2011 that it may re-evaluate in 2012 whether the remuneration policy adopted in 2010 and amended on 9 May 2011 will be in line with the long-term objectives of the company, the relevant international context, as well as society s perception of ING as a company. However, as the internal restructuring remains to be completed, as the regulatory environment is still in a state of flux, and as ING is subject to the legislation issued in 2012 by the Dutch Legislator related to variable remuneration for Executive Board members of financial institutions that receive financial government support, the Supervisory Board has decided to re-evaluate the remuneration policy at a later stage.

Should it become clear, after such re-evaluation, that the new remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board will, in line with the Remuneration Policy agreed for its Executive Board members have the discretion to correct the previously allocated variable remuneration. However, it is understood that any such correction could not lead to a deviation from the requirement that variable remuneration cannot exceed 100% of base salary during any year, as required under the Dutch Banking Code or be in violation of the Capital Requirements Directive III.

Table of Contents

ING s remuneration policy is leading the way in moderating pay in the international financial markets. The Supervisory Board and the Executive Board also have an obligation to safeguard the continuity of the company. The Supervisory Board will therefore evaluate from time to time how these two responsibilities relate to each other. If and when appropriate, it can make adjustments.

2012 REMUNERATION

RESPONSIBLE REMUNERATION

It is the responsibility of ING s Remuneration Committee to take into account the interests of all stakeholders, including shareholders and employees, as well as business continuity and sustainable growth, when overseeing the company s remuneration policy.

2012 REMUNERATION EXECUTIVE BOARD

The Executive Board remuneration for 2012 is based on the remuneration policy approved by the 2010 AGM, amended by the 2011 AGM and the legislation of the Dutch Legislator for financial institutions that have received state support for reasons of financial stability such as ING. The legislation prevents these financial institutions from granting variable remuneration (in cash or otherwise) to their Executive Board members. In addition, the legislation contains certain restrictions with respect to the possibility to increase the fixed salary of Executive Board members. It is in accordance with the Dutch Corporate Governance Code, Sound Remuneration Policy and the CEBS guidelines.

2012 Executive Board base salary

The base salary of all Executive Board members was set at the time of the introduction of the remuneration policy in 2010. The base salary of the Executive Board has not been raised since 2010 as the Executive Board decided voluntarily to forego any increase until ING has repaid outstanding core Tier 1 securities from the Dutch State along with the restrictions put in force by the new Legislation in 2012. As a consequence the base salary level remained at the 2010 level.

2012 Executive Board variable remuneration

In 2011 the Executive Board decided that it will not accept variable remuneration. The Dutch legislation for financial institutions with Government support, which came into force in 2012, prohibits variable remuneration to the Executive Board. As such the Executive Board did not receive any variable remuneration in relation to performance year 2012. It is noted that the total direct compensation levels of the Executive Board, even if any variable remuneration had been allowed, continue to be significantly below the market median. The Executive Board base salary has remained unchanged and no variable remuneration has been granted since 2010. This puts the total direct compensation of the Executive Board in the lowest decile of the relevant benchmark and creates a significant gap between ING, the market and its peers in Europe. In the longer term this is not a tenable situation for ING and its market positioning. The Supervisory Board will continue to monitor the Executive Board s total direct compensation and consider initiatives within the agreed Executive Board Remuneration Policy. When appropriate, the Supervisory Board, with the consent of the shareholders at the AGM, may deviate from the agreed Policy, to address this very significant gap taking into account regulatory requirements, rules and respective Corporate Governance codes.

Compensation of the individual members of the Executive Board

	2012 (1)		2011 (1)		2010	
amounts in thousands of euros	**amount**	**number of shares**	amount	number of options/shares	amount	number of options/shares
Jan Hommen						
Base salary	**1,353**		1,353		1,353	
Variable remuneration in cash	**0**	**0**	0	0	0	0
Variable remuneration in stock	**0**	**0**	0	0	0	0
Patrick Flynn						
Base salary	**750**		750		750	
Variable remuneration in cash	**0**	**0**	0	0	0	0
Variable remuneration in stock	**0**	**0**	0	0	0	0
Wilfred Nagel (2)						
Base salary	**469**					
Variable remuneration in cash	**0**	**0**				

Variable remuneration in stock	**0**	**0**

(1) It is noted that while the 2010 Annual Report indicated that the Board members would receive a salary increase and variable remuneration, they decided to forego the proposed increase in 2011 as well as the variable remuneration in relation to performance year 2010. The above table outlines the actual situation.

(2) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The figures for this member reflect compensation earned in the capacity as an Executive Board member. Thus the figure for 2012 reflects a partial year as an Executive Board member.

Compensation of former members of the Executive Board amounted to nil for 2012, EUR 563,000 for 2011 and EUR 750,000 for 2010.

One-off crisis levy of taxable income

In 2012, the Dutch Government imposed an additional tax charge of 16% on the income in excess of EUR 150,000 of each employee who is subject to Dutch income tax. The tax is charged to the company and does not affect the remuneration of involved staff. The tax imposed on ING for members of the Executive Board amounts to EUR 0.4 million, which is not included in the figures in the table above.

Pension costs

The table below shows the pension costs of the individual members of the Executive Board.

Pension costs of the individual members of the Executive Board

amounts in thousands of euros	**2012**	2011	2010
Jan Hommen (1)	**0**	0	0
Patrick Flynn	**179**	180	134
Wilfred Nagel (2)	**132**		

(1) Jan Hommen does not participate in the pension plan.

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

Pension costs of former members of the Executive Board amounted to nil for 2012, EUR 135,000 for 2011, and EUR 158,000 for 2010.

Long-term incentives awarded in previous years

The long-term incentive plan (LTIP) at ING in place until 2010 includes both stock options and performance shares. The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years.

Performance shares are shares conditionally granted, with the final shares awarded in 3-years (tiered) based on ING s performance. The ultimate value of each performance share will be based on ING Group s stock price at the end of each performance cycle. Each one-third of the award will vest in accordance with its own performance measurement and cycle. Deferred shares are shares of which the ultimate value of each deferred share will be based on ING Group s stock price at the vesting date. For the Executive Board members no performance or deferred shares have vested in the period they were a member of the Executive Board ING Group.

Patrick Flynn received a conditional grant of restricted stock in 2009 to a maximum of 130,230 shares. The cumulative value of the conditional share award is capped at EUR 1.3 million. The first vesting in the amount of 39,069 shares occurred at the 2010 AGM. The value at vesting amounted to EUR 288,329. A second vesting of 39,069 shares occurred at the 2011 AGM, the value at vesting amounted to EUR 347,323. The remaining shares in the amount of 52,092 shares vested at the 2012 AGM. The value at vesting amounted to EUR 263,325. The number of shares reflects the number adjusted for the effects of the rights issue of December 2009.

The Executive Board members are not allowed to sell depositary receipts for shares obtained as a member of the Executive Board ING Group and within a period of five years from the grant date. They are only allowed to sell part of their depositary receipts for shares at the date of vesting to pay tax over the vested performance-share award. Depositary receipts for shares obtained as a member of the Executive Board ING Group and from exercised stock options may only be sold within a period of five years from the grant date of the options to pay tax over the exercised award.

Benefits

The individual members of the Executive Board receive other emoluments apart from the compensation and pension benefit. These other emoluments are mainly related to long home/work distances and amounted in 2012 (including employer contributions) to EUR 1 thousand, EUR 238 thousand and EUR 12 thousand for Jan Hommen, Patrick Flynn and Wilfred Nagel, respectively.

Table of Contents

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2012, 2011 and 2010.

Loans and advances to the individual members of the Executive Board

amounts in thousands of euros	**Amount outstanding 31 December 2012**	**Average interest rate 2012**	**Repayments 2012**	Amount outstanding 31 December 2011	Average interest rate 2011	Repayments 2011	Amount outstanding 31 December 2010	Average interest rate 2010	Repayments 2010
Jan Hommen	**1,588**	**3.4%**		1,588	3.4%		1,588	3.4%	
Wilfred Nagel [(1)]	**750**	**3.3%**							

(1) Wilfred Nagel was appointed to the Executive Board on 14 May 2012. The figures for this member reflect the loans and advances received well before his appointment to the Executive Board.

ING depositary receipts for shares held by Executive Board members

Executive Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Executive Board.

ING depositary receipts for shares held by members of the Executive Board

number of shares	**2012**	2011	2010
Jan Hommen	76,426	76,426	76,426
Patrick Flynn	85,084	51,339	25,793
Wilfred Nagel	15,246		

2013 REMUNERATION STRUCTURE EXECUTIVE BOARD

2013 EXECUTIVE BOARD TOTAL DIRECT COMPENSATION

The Supervisory Board will continue to monitor the remuneration of the Executive Board members relative to the external market and ING s internal practices to ensure ING sustains the ability to retain and attract highly skilled and experienced Executive Board members. It is in the interest of ING and its various stakeholders that ING pays its Executive Board members a total direct compensation package which is perceived balanced, fair, competitive and incorporates the right risk measurements in the delivery of such offering, to sustain and optimise the long-term value of its business. The Supervisory Board may decide to moderate at any time the remuneration structure of the Executive Board and rebalance fixed to variable when it feels that the total direct compensation packages of the Executive Board are no longer fair and equitable relative to its peers. Such moderation will be done within the agreed Executive Board Remuneration Policy or in consent with shareholders at the annual General Meeting when it deviates from the agreed Policy, underpinned by internal and external advice from remuneration matter experts.

The payment of variable remuneration to the Executive Board will be suspended for as long as the Legislation for financial institutions that have received state support for reasons of financial stability is in force for ING.

REMUNERATION POLICY FOR SENIOR MANAGEMENT

As much as possible for a global financial institution of this size, ING aims to take account of all the differences and standards applied within similar financial institutions in the various countries in which it operates. The remuneration of members of the Management Boards and senior management will be in line with the general principles of the amended remuneration structure for the Executive Board, taking into account international and local practices.

TOTAL DIRECT COMPENSATION

Total direct compensation levels will be based on benchmark data in the international context in which ING operates. ING aims for compensation levels to be set at market median levels. Total compensation levels will be determined in line with the relevant market.

FOCUS ON LONG-TERM VALUE CREATION, RISK AND NON-FINANCIAL PERFORMANCE

Variable remuneration is linked to long-term value creation and risk. It is determined/based on individual, business and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. There will be increased emphasis on long-term value creation by means of long-term incentives, deferral and claw back mechanisms.

Furthermore, and in addition to financial indicators, performance is also assessed based on non-financial drivers. The incorporation of non-financial indicators in the overall assessment is particularly aimed at further improving sustainable business practices within ING. Therefore, a number of targets have been set for ING s performance in several areas, including customer satisfaction, workforce diversity, stakeholder engagement and sustainable business practices.

The 2013 performance management approach for ING Bank will be based on the same core principles of balancing financial and non-financial performance, leadership through living our ING values, responsibility for risk management and fair evaluation. However, the approach will significantly enhance the role of risk and strengthen the execution of the One Bank strategy. For the members of the Board of ING Bank and its senior management, variable remuneration will be determined by the One Bank Result, personal targets and Business Line Result.

It should be noted that as the execution of our strategy progresses, the banking and insurance businesses may have different financial and non-financial performance drivers.

2012 REMUNERATION STRUCTURE SENIOR MANAGEMENT

Given the differences in the regulatory requirements for banking and insurance and the separation of ING s banking and insurance activities, the remuneration structures for senior management in ING s banking and insurance operations were determined separately in 2012, based on internal strategy and external regulatory developments.

The remuneration policy for the Executive Board, which permits a combination of fixed compensation (base salary) and variable remuneration (together total direct compensation), pension arrangements and benefits will apply in full to members of the Management Board Banking. For senior management in banking, a gradual shift to a more balanced mix of fixed and variable remuneration, in line with the remuneration policy for the Executive Board, was initiated in 2010 and will continue during the coming year. During the year 2012, the remuneration structure of senior management in the Netherlands, employed by the Bank, has been further rebalanced with a reduced emphasis on variable remuneration. Exceptions may exist for high value specialists and senior management working in certain divisions and/or geographical areas. In addition, the remuneration policy for senior management has been amended in line with the requirements of the Capital Requirements Directive III.

Furthermore, ING and the Dutch labour unions agreed on a new CLA for ING Bank in the Netherlands. Under the new CLA, employees will no longer receive part of their compensation in the form of variable remuneration. In a number of cases and only if justified by market practice staff may still receive a discretionary variable award.

For the Management Board EurAsia and senior management in ING s EurAsia Insurance operations, remuneration is in line with the general principles of the remuneration policy for the Executive Board and the requirements under the Capital Requirements Directive III.

We have continued to review and amend the remuneration for a select group of ING Bank and Insurance EurAsia employees, in order to comply with the Capital Requirements Directive III. The amendments relate to the allocation of variable remuneration and the ratio between fixed and variable remuneration and are intended to mitigate risk relating to remuneration. Measures include an ex-ante and ex-post assessment of variable remuneration prior to award and vesting respectively, significant deferral of variable remuneration, an equal divide between variable remuneration in cash and in shares, as well as retention periods on all equity remuneration as soon as it becomes unconditional.

In light of the Capital Requirements Directive III compensation packages related to control functions (such as risk management functions) are structured such that they provide for a reduced emphasis on variable remuneration. To ensure the autonomy of the individual, financial performance metrics are dependent on objectives determined at the divisional level (i.e. not at the level of the relevant business). In addition, performance assessments are not only determined by business management, but also by the functional line.

For the Insurance US operations we have implemented a remuneration policy which fits the local market practise and requirements but also the Capital Requirements Directive III. It allows us to compete locally with our competitors to attract and retain talent, to meet the different regulatory requirements within the US insurance industry and to support the intended separation of these activities from ING.

The regulatory environment is still in development. The structure as set out above is based on information currently available. Should it become clear, after everything has been clarified, that amendments are necessary, ING will amend the structure as deemed appropriate.

REMUNERATION SUPERVISORY BOARD

The annual remuneration of the Supervisory Board members as adopted by the General Meetings in 2006 and 2008 amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270. The remuneration for the membership of committees is as follows: chairman of the Audit Committee EUR 8,000, members of the Audit Committee EUR 6,000, chairmen of other Supervisory Board committees EUR 7,500 and members of other Supervisory Board committees EUR 5,000. In addition to the fixed remuneration, committee members receive a fee for each meeting they attend. For the Audit Committee chairman this fee is EUR 2,000 per meeting and for its members EUR 1,500. For the chairman and members of other committees the attendance fee amounts to EUR 450 per meeting.

Supervisory Board members receive an additional fee of EUR 2,000 per attended Supervisory Board or Committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or Committee meeting if intercontinental travel is required for attending the meeting.

2012 REMUNERATION SUPERVISORY BOARD

Jeroen van der Veer and Peter Elverding have voluntarily requested a lower level of compensation than their annual remuneration as adopted by the AGM and to cap their annual remuneration relating to 2011 inclusive attendance fees at EUR 100,000 and EUR 90,000 respectively. At their request, their compensation was also capped in 2012 at the aforementioned levels.

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2012 and previous years.

Compensation of the members of the Supervisory Board

amounts in thousands of euros	2012 (1)	2011 (1)	2010 (1)
Jeroen van der Veer (2,3,5)	86	114	74
Peter Elverding (3,4,5)	77	103	84
Tineke Bahlmann	70	70	69
Henk Breukink	71	71	69
Piet Klaver	73	72	68
Aman Mehta (6)	59	126	114
Lodewijk de Waal	70	71	66
Sjoerd van Keulen	62	49	
Joost Kuiper	74	46	
Luc Vandewalle	86	58	
Jan Holsboer (7)	41		
Yvonne van Rooy (7)	37		

(1) In 2010 the remuneration and attendance fees for the membership of a committee have not been paid to the chairman and vice-chairman of the Supervisory Board. Effective 2011 remuneration and attendance fees for the membership of a committee are paid to the chairman and vice-chairman of the Supervisory Board.

(2) Jeroen van der Veer has been chairman of the Supervisory Board since May 2011. From October 2009 until May 2011 he was vice-chairman of the Supervisory Board.

(3) In 2012 compensation was capped at EUR 100,000 and EUR 90,000 for the chairman and vice-chairman respectively. Please see the paragraph above the table.

(4) Peter Elverding was chairman of the Supervisory Board from April 2009 until May 2011. He has been vice-chairman since May 2011.

Table of Contents

(5) The amounts in excess of the aforementioned cap of 2011 amounting to EUR 13,000 for Peter Elverding and EUR 14,000 for Jeroen van der Veer are deducted from their remuneration relating to 2012.
(6) Aman Mehta retired in May 2012. The compensation figure for 2012 reflects a partial year as a member of the Supervisory Board.
(7) Jan Holsboer and Yvonne van Rooy are members of the Supervisory Board as of May 2012. The compensation figures for 2012 reflect a partial year as a member of the Supervisory Board.

Compensation of former members of the Supervisory Board who are not included in the above table amounted to nil in 2012, EUR 77,000 2011 and EUR 466,000 in 2010.

LOANS AND ADVANCES TO SUPERVISORY BOARD MEMBERS

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The table below presents the loans and advances to Supervisory Board members outstanding on 31 December 2012, 2011 and 2010.

Loans and advances to members of the Supervisory Board

amounts in thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments
		2012			2011			2010	
Jeroen van der Veer [1]	0		282	282	8.6%		282	8.6%	

(1) The amount reflects a housing mortgage loan granted in 1992, well before Jeroen van der Veer s appointment to the Supervisory Board (effective as of 1 July 2009).

ING DEPOSITARY RECEIPTS FOR SHARES AND OPTIONS HELD BY SUPERVISORY BOARD MEMBERS

Supervisory Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board. Supervisory Board members did not hold ING options at year-end 2012.

ING shares and depositary receipts for shares held by members of the Supervisory Board (1)

number of shares	**2012**	**2011**	**2010**
Piet Klaver	43,796	43,796	43,796
Jeroen van der Veer	119,469	119,469	99,469
Sjoerd van Keulen [2]	1,703	1,703	
Luc Vandewalle [2] [3]	85,250	80,000	
Jan Holsboer [4]	74,738		

(1) The numbers of depositary receipts for shares reflect the shares held by the members of the Supervisory Board and their partners.
(2) Sjoerd van Keulen and Luc Vandewalle were newly appointed in May 2011.
(3) The ING depositary receipts for shares held by Luc Vandewalle are currently being held in usufruct.
(4) Jan Holsboer was newly appointed in May 2012.

EMPLOYEES

The average number of employees at a full time equivalent basis was 86,460 at the end of 2012, of which 24,940 or 29%, were employed in the Netherlands. The distribution of employees with respect to the Group s continuing and discontinued operations as well as the insurance operations and banking operations for the years 2012, 2011 and 2010 were as follows:

Average number of employees at full time equivalent basis [1]

	The Netherlands			International			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Continuing operations	24,940	26,332	27,750	61,520	65,658	65,242	86,460	91,990	92,992
Discontinued operations				6,112	12,429	13,148	6,112	12,429	13,148
Total	**24,940**	**26,332**	**27,750**	**67,632**	**78,087**	**78,390**	**92,572**	**104,419**	**106,140**
of which:									
Banking operations	18,072	19,027	19,415						