Dated 13 May 2013

ING BANK N.V.

REGISTRATION DOCUMENT

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INTRODUCTION

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

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

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

This Registration Document was approved by the Netherlands Authority for the Financial Markets (the "AFM") for the purposes of the Prospectus Directive on 13 May 2013.

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

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

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

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

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

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

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

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

(b) the publicly available annual reports of the Issuer in respect of the years ended 31 December 2010, 2011 and 2012, including the audited financial statements and auditors' reports in respect of such years;

(c) the press release published by ING on 19 November 2012 entitled "ING reaches agreement on amended EC Restructuring Plan"; and

(d) pages 11 and 13 to 28 (inclusive) of the unaudited ING Group 2013 quarterly report for the first quarter of 2013, as published by ING Group on 8 May 2013 (the "Q1 Report"). The Q1 Report contains, among other things, the consolidated unaudited interim results of ING Group as at, and for the three month period ended, 31 March 2013, as well as information about recent developments during this period in the banking business of ING Group, which is conducted substantially through the Issuer and its consolidated group.

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

With respect to the Q1 Report, prospective investors should note that the Issuer's consolidated operations, while materially the same, are not identical with the reported financial and statistical information on a segment basis for the banking business of ING Group as described in the Q1 Report. ING Group is not responsible for the preparation of this Registration Document.

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

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered in accordance with applicable law, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents should be directed to the Issuer at Foppingadreef 7, 1102 BD Amsterdam, The Netherlands. In addition, this Registration Document and any document which is incorporated herein by reference will be made available on the website of ING (www.ing.com/Our-Company/Investor-relations/Fixed-income-information.htm).

RISK FACTORS

Set out below are risk factors which could affect the future financial performance of ING Bank and thereby potentially affect the Issuer's ability to fulfil its obligations in respect of securities issued or guaranteed by it. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties ING Bank's businesses face. The Issuer has described only those risks relating to its operations of which it is aware and that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware and any of these risks could have the effects set forth above. Investors should note that they bear the Issuer's solvency risk.

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

Because ING Bank is part of a financial services company conducting business on a global basis, its revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which it conducts business. The ongoing turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability and solvency of ING Bank.

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, its solvency, liquidity and the amount and profitability of business ING Bank conducts 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 products is usually adversely affected and ING Bank'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. In particular, a downturn in the equity markets causes a reduction in commission income ING Bank earns from managing portfolios for third parties, income generated from its own proprietary portfolios and its capital base. ING Bank also offers a number of financial products that expose it to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads. See also "Interest rate volatility and other interest rate changes may adversely affect ING Bank's profitability", "Continued turbulence and volatility in the financial markets and the economy generally have adversely affected ING Bank, and may continue to affect its business and results of operations", and "Market conditions observed over the past few years may increase the risk of loans being impaired. ING Bank is exposed to declining property values on the collateral supporting residential and commercial real estate lending" below.

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

- reserve inadequacies which could ultimately be realised through profit and loss and shareholders' equity;
- the write-down of tax assets impacting net result;
- impairment expenses related to goodwill and other intangible assets, impacting net result;
- 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 ING Bank's 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 ING Bank, and may continue to affect its business and results of operations" below.

Adverse capital and credit market conditions may impact ING Bank's 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 and credit market conditions may affect the availability and cost of borrowed funds, thereby impacting ING Bank's ability to support or grow its businesses.

ING Bank needs liquidity in its day-to-day business activities to pay its operating expenses, interest on its debt and dividends on its capital stock, maintain its securities lending activities, and replace certain maturing liabilities. Without sufficient liquidity, ING Bank will be forced to curtail its operations and its business will suffer. The principal sources of its funding are deposit funds, and cash flow from its 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 shareholders' equity.

In the event current resources do not satisfy its needs, ING Bank 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, ING Bank's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of its long- or short-term financial prospects. Similarly, ING Bank's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If ING Bank's internal sources of liquidity prove to be insufficient, there is a risk that it may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions ING Bank might take to access financing may cause rating agencies to re-evaluate its 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 ING Bank's access to capital required to operate its business. Such market conditions may in the future limit ING Bank's ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements, which in turn could force ING Bank to (i) delay raising capital, (ii) reduce, cancel or postpone interest payments on its securities, (iii) issue capital of different types or under different terms than ING Bank would otherwise, or (iv) incur a higher cost of capital than in a more stable market environment. Any of the foregoing would have the potential to decrease both ING Bank's profitability and its financial flexibility. ING Bank's results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

Since 2008, 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 included 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. ING's participation in these measures has resulted in certain material restrictions on it, including those required by the European Commission ("EC") as part of ING's Restructuring Plan (see "Risk Factors – Risks Related to the Restructuring Plan – ING's agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of its 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 the Restructuring Plan have and will significantly alter the size and structure of ING and involve significant costs and uncertainties that could materially impact ING Bank"). 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 ING Bank's shareholder, bondholders, customers or creditors and ING Bank's results, operations, solvency, liquidity and governance.

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

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

Within the financial services industry the severe distress or default of any one institution (including sovereigns) could lead to defaults or severe distress by other institutions. Such distress or defaults could disrupt securities markets or clearance and settlement systems in ING Bank's markets. This could cause market decline or volatility. Such a failure could lead to a chain of defaults that could adversely affect ING Bank and its contractual counterparties. Concerns about the creditworthiness 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 ING Bank 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 ING Bank interacts on a daily basis and financial instruments of sovereigns in which ING Bank invests. Systemic risk could have a material adverse effect on ING Bank's ability to raise new funding and on its 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.

ING Bank believes that, despite increased attention recently, systemic risk to the markets in which it operates continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to ING Bank's business, results of operations and financial condition.

Because ING Bank's businesses are subject to losses from unforeseeable and/or catastrophic events, which are inherently unpredictable, ING Bank may experience an abrupt interruption of activities, which could have an adverse effect on its financial condition.

As discussed further under “Risks Related to ING Bank’s Business, Operations, and Regulatory Environment – Operational risks are inherent in ING Bank’s business”, because unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities and ING Bank’s business 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 ING Bank’s business continuity plans are not able to be put into action or do not take such events into account, ING Bank’s financial condition could be adversely affected.

ING Bank operates in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing its business.

ING Bank is subject to detailed banking, asset management and other financial services laws and government regulation in the jurisdictions in which ING Bank conducts 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, record keeping, product and sale suitability, and marketing and sales practices, remuneration policies and ING Bank’s own internal governance practices. Banking and other financial services laws, regulations and policies currently governing ING Bank may also change at any time and in ways which have an adverse effect on its business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank 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 ING Bank operates, often requiring additional ING Bank resources. These regulations can serve to limit ING Bank’s activities, including through its net capital, customer protection and market conduct requirements, and restrictions on businesses in which ING Bank can operate or invest. If ING Bank fails to address, or appears to fail to address, appropriately any of these matters, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against ING Bank or subject it to enforcement actions, fines and penalties.

In light of conditions in the global financial markets and the global economy, regulators have for some time increased their focus on the regulation of the financial services industry. Most of the principal markets where ING Bank conducts its 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. The SSM is envisaged to take effect by 1 March 2014 or one year after the relevant 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 co-operation. While it is at this stage difficult to identify what the exact impact will be on ING Bank, it is expected that the SSM will have a significant impact on the way ING Bank’s operations are supervised in Europe.

Furthermore, ING Bank is subject to different tax regulations in each of the jurisdictions where it conducts business. Changes in tax laws could increase ING Bank's taxes and its effective tax rates. Furthermore, legislative changes could materially impact ING Bank's tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities which could have a material adverse effect on ING Bank's business, results of operations and financial condition.

In addition, the International Accounting Standards Board has issued and proposed certain amendments to several IFRS standards during the course of 2012, which changes could also have a material impact on ING Bank's reported results and financial condition.

ING Bank cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on its business, results of operations and financial condition. 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.

ING Bank expects the scope and extent of regulation in the jurisdictions in which it conducts its business, as well as regulatory oversight and supervision, to generally continue to increase. Despite ING Bank's 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 are under development, or where they may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, resulting in ING Bank's failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against ING Bank, which could result, among other things, in the suspension or revocation of its licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm ING Bank's results of operations and financial condition.

Basel III

In December 2010, the Basel Committee on Banking Supervision ("Basel Committee") announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The Basel Committee's package of reforms, collectively referred to as the "Basel III" rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment, and limit leverage. Banks will be required to hold a "capital conservation buffer" to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduces a "countercyclical buffer" as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by ING Bank, 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 the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "DNB") and the Dutch Ministry of Finance as a domestic SIFI in November

2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and on-going discussions within the regulatory environment revisions have been made to the original Basel III proposals such as 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 ING Bank, will depend on how they are implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, ING Bank expects these rules to have a material impact on its operations and financial condition and may require ING Bank to seek additional capital.

Dodd-Frank Act

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank" or the "Dodd-Frank Act") was signed into law in the 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 Bank. 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. ING Bank cannot predict with certainty how Dodd-Frank and such regulations will affect the financial markets generally, impact ING Bank's business, credit ratings, results of operations, cash flows or financial condition, or advise or require ING Bank to raise additional capital. Key aspects of Dodd-Frank that ING Bank has identified to date as possibly having an impact on ING Bank include:

- The Financial Stability Oversight Council (the "FSOC") may designate ING 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, ING Group would become subject to the oversight of the Board of Governors of the Federal Reserve System ("Federal Reserve"). If ING 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 ING Group. ING Bank cannot predict what capital regulations the Federal Reserve will promulgate under these authorisations, either generally or as applicable to organisations with ING Group's operations, including ING Bank, nor can ING Bank predict how the Federal Reserve will exercise potential general supervisory authority over ING Group as to its business practices or those of its subsidiaries. If designated as systemically important by the FSOC, ING 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. ING Group may become subject to stress tests to be promulgated by the Federal Reserve to determine whether, on a consolidated basis, ING Group has the capital necessary to absorb losses as a result of adverse economic conditions. ING Bank cannot predict how the stress tests will be designed or conducted or whether the results thereof will cause ING Group to alter its business practices or affect the perceptions of regulators, rating agencies, customers, counterparties or investors about ING Group's financial strength.

- Title II of Dodd-Frank provides that a financial company, such as ING Group, 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. ING Bank cannot predict how ratings agencies or ING Group's creditors will evaluate this potential risk or whether it will impact ING Group's 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 ING Bank. 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 cost of hedging and related operations, affect the profitability of ING Bank's products or their attractiveness to its customers, or cause ING Bank to alter its hedging strategy or change the composition of risks it does 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"). Recognising 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 ING Bank is unable to obtain a CICI and implement it into its system, ING Bank may be limited in its 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 ING Bank's business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

- 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. 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 ING Bank'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 Bank'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 ING Bank, the costs of which it is 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 ING Bank. Dodd-Frank could make it more expensive for ING Bank to conduct business, require ING Bank to make changes to its business model or satisfy increased capital requirements, subject ING Bank 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 ING Bank's 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 (the "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.

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.

ING Bank 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, ING Bank is and will be in close contact with all of its stakeholders, including its peers and financial industry representative organisations.

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

Dutch Intervention Act and EU Bank Proposals

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 DNB the power to transfer customer deposits, assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if DNB deems that, in respect of the relevant bank, 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. 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 securities issued by 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 ING Bank. ING Bank will carefully assess further details on the form, amount and timing of the levy as they become available. Currently, there is a debate in The Netherlands on the effectiveness of the legal regime as described above, 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 ING Bank, its operations and its 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 have been put into place, with certain exceptions. Also in June 2012, the EC published a proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the “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. ING Bank is unable to predict what specific effects the Intervention Act and the future adoption of the Recovery and Resolution Directive may have on the financial system generally, its counterparties, or on ING Bank, its operations or its 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 was submitted to and approved by DNB in November 2012. Furthermore, in the course of 2012, DNB 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 working towards providing this information and aims to meet the deadlines provided by DNB by the end of 2013.

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 ING Bank conduct business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, and the potential impact of such changes on ING Bank's 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 ING Bank 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 (together, the "Dutch State Transactions"), see "Risks Related to the Restructuring Plan – ING's agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of its shares and the compensation of certain senior management positions". As a result of having received state aid through the Dutch State Transactions, ING was required to submit its 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 the Restructuring Plan have and will significantly alter the size and structure of ING and involve significant costs and uncertainties that could materially impact ING".

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, ING Bank believes that its 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 ING Bank's cumulative ownership, and could trigger an "ownership change", which could limit the ability of its U.S. subsidiaries to use tax attributes, and could correspondingly decrease the value of these attributes.

On 14 February 2013, the EC adopted a proposal setting out the details of the financial transaction tax, which mirrors the scope of its original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the "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 ING Bank to pay a tax on transactions in financial instruments with parties (including its 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 Bank's operations, which could negatively impact its 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 programmes 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 ING Bank's operational results, financial condition and liquidity, and could negatively impact the costs and scope of its transactions, including transactions with other financial institutions.

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

General

ING Bank's 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 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 significantly deteriorated following the financial crisis in 2008 and have not fully recovered. Concerns over pricing have included 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 ING Bank 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 from time to time 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 experienced from time to time heightened volatility and turmoil, with issuers 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 ING Bank's revenues and results of operations, in part because ING Bank has a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested.

Consumer confidence in financial institutions may, for example, decrease due to ING Bank's or its competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on ING Bank's revenues and results of operations, including through a withdrawal of deposits. Because a significant percentage of ING Bank's customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with ING Bank's investments in real estate (both in and outside the U.S.) and private equity, exposures to European sovereign debt and to U.S. mortgage-related structured investment products, including sub-prime and Alt-A Residential and Commercial Mortgage-Backed Securities ("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 judgement and other factors, and is also impacted by external factors such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. ING Bank continues to monitor its exposures; however, there can be no assurances that it will not experience further negative impacts to its 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. lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. Although other ratings agencies have not similarly lowered the long-term sovereign credit rating of the 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 ING Bank's 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. ING Bank 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 ING Bank.

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 states are ongoing and in some cases have required countries to obtain emergency financing. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Despite the creation of a joint EU-IMF European Financial Stability Facility in May 2010, assistance packages to Greece, Ireland and Portugal, 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 and which is now considering a financial assistance agreement for Cyprus after the Eurozone finance ministers (Eurogroup) backed a bailout of Cyprus), uncertainty over the outcome of the EU governments' financial support programmes and worries about sovereign finances persisted during the course of 2012. Market concerns over the direct and indirect exposure of European banks 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 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 ING Bank. 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, ING Bank's 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 ING Bank (or its counterparties) is a party and thereby materially and adversely affect ING Bank and/or its counterparties' liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euros is redenominated into a new currency (which may not be easily converted into other currencies without 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 ING Bank and its counterparties, including its 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 ING Bank conducts its business. ING Bank's 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, it could incur significant losses.

On 13 January 2012, Standard & Poor's Ratings Group, Inc. 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 changing 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, for example, the downgrade of Greece's sovereign credit rating to "selective default" by Standard & Poor's Ratings Group, Inc. on 27 February 2012 as a result of a debt restructuring that is expected to impose significant losses on private creditors (including ING Bank) and Fitch Ratings Ltd.'s downgrade of Spain's sovereign credit rating from A to BBB on 7 June 2012. Moody's also followed Standard & Poor's Ratings Group, Inc. 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 ING Bank's businesses.

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

There is substantial competition in The Netherlands and the other countries in which ING Bank does business for the types of commercial banking, investment banking, asset management and other products and services it provides. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, investment performance of ING Bank's 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 ING Bank's competitive position as to one or more of these factors could adversely impact its ability to maintain or further increase its market share, which would adversely affect its results of operations. Such competition is most pronounced in ING Bank's 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 ING Bank's competitors. The Netherlands is its largest market. ING Bank's main competitors in the banking sector in The Netherlands are ABN AMRO Bank and Rabobank. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of its other markets may significantly impact its results if ING Bank is unable to match the products and services offered by its competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in ING Bank's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity.

ING Bank may experience pricing pressures as a result of these factors in the event that some of its competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan, ING was required to agree to certain restrictions imposed by the EC, including with respect to its price leadership in EU banking markets and its ability to make acquisitions of financial institutions and other businesses. See "Risks Related to the Restructuring Plan – The limitations required by the EC on ING's ability to compete and to make acquisitions or call certain debt instruments could materially impact ING". Due to the competitive nature of the financial services industry, there can be no assurance that ING Bank will continue to effectively compete within the industry or that competition will not have a material adverse impact on its business, results of operations and financial condition.

Because ING Bank does business with many counterparties, the inability of these counterparties to meet their financial obligations could have a material adverse effect on its results of operations.

General

Third parties that owe ING Bank money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities ING Bank holds, 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 ING Bank 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 ING Bank, and defaults by other institutions. In light of experiences with significant constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, ING Bank is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to ING Bank's franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives, which exposes it to concentration risk.

ING Bank routinely executes 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, ING Bank faces concentration risk with respect to specific counterparties and customers. ING Bank is exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more 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, its credit risk may be exacerbated when the collateral held by ING Bank cannot be realised, or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due it. ING Bank also has exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, ING Bank holds 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, ING Bank expects that such instruments may experience ratings downgrades and/or a drop in value and it may need 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 ING Bank's business or results of operations.

In addition, ING Bank is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations ING Bank holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of ING Bank's counterparties could also have a negative impact on its income and risk weighting, leading to increased capital requirements.

While in many cases ING Bank is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. ING Bank's credit risk may also be exacerbated when the collateral it holds 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 ING Bank, 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 ING Bank to claims for the improper exercise of its 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 ING Bank's business, financial condition, results of operations, liquidity and/or prospects.

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

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

Economic and other factors could lead to 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 ING Bank's profitability.

Changes in prevailing interest rates may negatively affect ING Bank's business including the level of net interest revenue ING Bank earns, and for its 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 accountholders 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 by lowering interest rates in 2012 in response to concerns about Europe's sovereign debt crisis and slowing global economic growth. Changes in interest rates may negatively affect the value of ING Bank's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings.

Declining interest rates may result in:

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

- higher redemption of mortgages and fixed maturity securities in ING Bank's investment portfolios as borrowers seek to borrow at lower interest rates. Consequently, ING Bank may be required to reinvest the proceeds in securities bearing lower interest rates;
- higher costs for certain derivative instruments that may be used to hedge certain of ING Bank's product risks; and/or
- lower profitability since ING Bank may not be able to fully track the decline in interest rates in its savings rate.

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 ING Bank is required to hold and the amount of assets ING Bank must maintain to support statutory reserves.

Increasing interest rates may result in:

- a decrease in demand for loans;
- higher interest rates to be paid on debt securities ING Bank has issued or may issue on the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its results of operations;
- a material adverse effect on the value of ING Bank's investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within ING Bank's investment portfolio; and/or
- a significant collateral posting requirement associated with ING Bank's interest rate hedge programmes, which could materially and adversely affect liquidity.

ING Bank 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 ING Bank operates, 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, ING Bank expects that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, ING Bank is a participant in the Dutch Deposit Guarantee Scheme (the "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 Deposit Guarantee Scheme are allocated among the participating banks by DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Deposit Guarantee Schemes. Given its size, ING Bank may incur significant compensation payments to be made under the Deposit Guarantee Scheme, which it 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 ING Bank may have a material adverse effect on its results of operations and financial condition. As of 1 July 2015, the Deposit Guarantee Scheme will change from an ex-post scheme, where ING Bank contributes after the failure of a firm, to an ex-ante scheme where ING Bank will pay risk-weighted contributions to the Deposit Guarantee Scheme. The fund is to grow to a target size of 1% of all deposits guaranteed under the 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 ING Bank's size may be significant. See also “ING Bank operates in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing ING Bank’s business – Dutch Intervention Act and EU Bank Proposals”.

RISKS RELATED TO ING BANK’S BUSINESS, OPERATIONS, AND REGULATORY ENVIRONMENT

ING Bank may be unable to manage its risks successfully through derivatives.

ING Bank employs various economic hedging strategies with the objective of mitigating the market risks that are inherent in its business and operations. These risks include currency fluctuations, changes in the fair value of its investments, the impact of interest rates, equity markets and credit spread changes and the occurrence of credit defaults. ING Bank seeks to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts including from time to time macro hedges for parts of its business, either directly 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 ING Bank from risks associated with those fluctuations. ING Bank’s hedging strategies also rely on assumptions and projections regarding its assets, liabilities, general market factors and the creditworthiness of its counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, ING Bank’s hedging activities may not have the desired beneficial impact on its results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase its risks and losses. Hedging strategies involve transaction costs and other costs, and, if ING Bank terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which ING Bank has incurred or may incur losses on transactions, perhaps significant, after taking into account its hedging strategies. Further, the nature and timing of ING Bank’s hedging transactions could actually increase its risk and losses. Hedging instruments ING Bank uses to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses such as credit value adjustment (“CVA”) risks or unexpected profit and loss effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralised. As such, ING Bank’s hedging strategies and the derivatives that it uses and may use may not adequately mitigate or offset the risk of interest rate volatility, and its hedging transactions may result in losses.

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

ING Bank may be unable to retain key personnel.

As a financial services enterprise with a decentralised management structure, ING Bank relies to a considerable extent on the quality of local management in the various countries in which ING Bank operates. The success of ING Bank’s operations is dependent, among other things, on ING Bank’s ability to attract and retain highly qualified professional personnel. Competition for key personnel in most countries in which ING Bank operates is intense. ING Bank'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 EC and governments throughout Europe to the financial crisis in 2008, there have been and will be various legislative initiatives, including those set out in (i) Directive 2010/76/EU (CRD III), (ii) the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority ("EBA"), (iii) the Regulation of DNB on Sound Remuneration Policies (*Regeling beheerst beloningsbeleid Wft 2011*) and (iv) the Dutch law with respect to the limitation of liability of 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 Bank has adapted its remuneration policies to the new national and international standards. In March 2011, ING's Executive Board 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 was below the median of ING's 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 ING Bank's existing remuneration policies and individual remuneration packages of personnel.

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

ING Bank may not be able to protect its intellectual property and may be subject to infringement claims.

ING Bank relies on a combination of contractual rights with third parties and copyright, trademark, patent and trade secret laws to establish and protect its intellectual property. Although it endeavours to protect its rights, third parties may infringe or misappropriate its intellectual property. ING Bank may have to litigate to enforce and protect its 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 its efforts may not prove successful. The inability to secure or protect ING Bank's intellectual property assets could have a material adverse effect on its business and its ability to compete.

ING Bank 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 ING Bank was found to have infringed or misappropriated a third-party patent or other intellectual property right, it could in some circumstances be enjoined from providing certain products or services to its customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses. Alternatively, it could be required to enter into costly licensing arrangements with third parties or implement a costly workaround. Any of these scenarios could have a material adverse effect on ING Bank's business and results of operations.

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

ING Bank uses assumptions in order to model client behaviour for the risk calculations in its banking books. Assumptions are used to determine 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 a material adverse effect on the calculated risk figures and, ultimately, future results.

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

ING operates various defined benefit retirement plans covering a significant number of its employees. The liability recognised in ING Bank's consolidated balance sheet in respect of its 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. ING determines its defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including 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 ING Bank's present and future liabilities to and costs associated with its defined benefit retirement plans.

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

ING Bank has developed risk management policies and procedures and expects to continue to do so in the future. Nonetheless, its policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods ING Bank uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than 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 ING Bank. 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.

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

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

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

Because ING Bank is continually developing new financial products, it might be faced with claims that could have an adverse effect on its operations and net result if clients' expectations are not met.

When new financial products are brought to the market, ING Bank aims to present a balanced view of such products. While ING Bank engages in a due diligence process when it develops 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 ING Bank. Mis-selling claims are claims from customers who allege that they have received misleading advice or other information from either ING Bank internal or external advisers (even though ING Bank does not always have full control over the external advisers). 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, or 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 ING Bank's 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 ING Bank's business for a number of reasons. A downgrade or a potential downgrade in ING Bank's credit ratings could have an adverse impact on its operations and net result.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. ING Bank's credit ratings are important to its ability to raise funds 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 result. Certain institutional investors may also be obliged to withdraw their deposits from ING Bank following a downgrade, which could have an adverse effect on its liquidity. ING Bank has credit ratings from Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Service Ltd. ("Moody's") and Fitch France S.A.S. 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 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.

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 ING Bank's competitive position.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of ING Bank would have additional adverse ratings consequences, which could have a material adverse effect on ING

Bank's results of operations, financial condition and liquidity. ING Bank may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which could cause its business and operations to suffer. ING Bank cannot predict what additional actions rating agencies may take, or what actions it may take in response to the actions of rating agencies.

ING Bank's business may be negatively affected by a sustained increase in inflation.

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

(1) decrease the estimated fair value of certain fixed income securities ING Bank holds in its investment portfolios resulting in:

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

(2) require ING Bank, as an issuer of securities, to pay higher interest rates on debt securities it issues in the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its results of operations.

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

(1) result in impairment charges to equity securities that ING Bank holds in its investment portfolios and reduced levels of unrealised capital gains available to it, which would reduce its net income and negatively impact its solvency position; and/or

(2) negatively impact the ability of ING Bank's 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.

Operational risks are inherent in ING Bank's business.

ING Bank's businesses depend on the ability to process a large number of transactions efficiently and accurately. Although ING Bank endeavours to safeguard its 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 external events that interrupt normal business operations. ING Bank depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The equipment and software used in ING Bank's computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite ING Bank's business continuity plans and procedures, certain of ING Bank's computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, whilst ING Bank has policies and processes to protect its 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 ING Bank's confidential information or that of its clients or its counterparts. These events can potentially result in financial loss, harm to ING Bank's reputation and hinder its operational effectiveness. ING Bank also faces the risk that the design and operating effectiveness of its 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 ING Bank's employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to its employees, either or both of which could adversely impact its business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and ING Bank's operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If ING Bank's business continuity plans are not able to be implemented or do not sufficiently take such events into account, losses may increase further.

ING Bank has suffered losses from operational risk in the past and there can be no assurance that it will not suffer material losses from operational risk in the future.

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

Adverse publicity and damage to ING Bank's reputation arising from its 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 industries, and litigation that arises from the failure or perceived failure by ING Bank to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect ING Bank's ability to attract and retain customers and 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 ING Bank in ways that are not predictable. Some of the legal proceedings may be brought on behalf of a class and plaintiffs may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and/or punitive damages. ING Bank's reserves for litigation may prove to be inadequate. It is possible that its 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 its financial condition.

RISKS RELATED TO THE RESTRUCTURING PLAN

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

In November 2008, the Dutch State purchased the Core Tier 1 Securities (the "Core Tier 1 Securities"), and in the first quarter of 2009 ING entered into the Illiquid Asset Back-up Facility ("IABF") with the Dutch State, the structure of which has been 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, ING was required to submit a Restructuring Plan to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On 26 October 2009, ING announced its Restructuring Plan ("Initial Restructuring Plan"), pursuant to which ING was required to divest by the end of 2013 all of ING's insurance business, including the investment management business, as well as ING Direct US, which operated ING Bank's direct banking business in the United States, and certain portions of its 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 (the “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 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 Group announced that the Dutch State and ING Group were in dialogue with the EC on an amended and updated Restructuring Plan to be submitted to the EC. However, in order to safeguard its legal rights, ING Group filed an appeal with the General Court of the European Union against the EC’s decision of 11 May 2012, which re-approved the Initial Restructuring Plan.

On 19 November 2012, ING Group and the Dutch State announced that they had reached an agreement with the EC on significant amendments to the Initial Restructuring Plan (the “Amended Restructuring Plan”, and together with the Initial Restructuring Plan, the “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 Group has withdrawn its appeal with the General Court, filed in July 2012. Although the EC’s appeal against the March 2012 ruling of the General Court is expected to continue, ING Group, the Dutch State and the EC have agreed that any outcome of this procedure will not affect the approval of the Amended Restructuring Plan.

The restrictions imposed by the Restructuring Plan could adversely affect ING Bank’s ability to maintain or grow market share in key markets as well as its results of operations. See “The limitations required by the EC on ING’s ability to compete and to make acquisitions or call certain debt instruments could materially impact ING Bank” below.

There can be no assurance that ING will be able to implement the Restructuring Plan successfully or complete the announced divestments on favourable terms or at all, particularly in light of market developments in general, as well as the fact that other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions or EC procedures and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of ING. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, ING or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and ING 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 its employees, and specific proposals in connection with the implementation may be opposed by labour unions or works councils.

Furthermore, following the announcement of the Initial Restructuring Plan, for example, several of ING Group’s subsidiaries were downgraded or put on credit watch by rating agencies. See “Risks Related to ING Bank’s Business, Operations, and Regulatory Environment – Ratings are important to ING Bank’s business for a number of reasons. A downgrade or a potential downgrade in ING Bank’s credit ratings could have an adverse impact on its operations and net result”.

Other factors that may impede ING’s 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 ING's insurance or investment management business through one or more initial public offerings. There can also be no assurance that ING could obtain favourable pricing for a sale of all or part of its 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 ING would otherwise expect.

Any failure to complete the divestments on favourable terms could have a material adverse impact on ING's assets, profitability, capital adequacy and business operations. If ING is unable to complete the announced divestments in a timely manner, it would be required to find alternative ways to reduce ING's leverage, and it could be subject to enforcement actions or proceedings by the EC. In particular, if ING does not succeed in completing divestitures as described in the Amended Restructuring Plan within the timelines set out therein, and/or does 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, have given, and will give, rise to additional costs related to the legal and financial assessment of potential transactions. The implementation has resulted, and may continue to result, in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to ING's business and the businesses ING is trying to sell and may cause an interruption or reduction of its 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 ING's 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. ING 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 ING to modify, restructure or refinance those or other related obligations. ING 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 ING's ability to use the funds of the divestments to repay the remaining amount of the Core Tier 1 Securities, reduce or eliminate its double leverage and strengthen its capital ratios as anticipated and eliminate the constraints on competition imposed by the EC.

The limitations required by the EC on ING's ability to compete and to make acquisitions or call certain debt instruments could materially impact ING Bank.

As part of its Restructuring Plan, ING has undertaken with the EC to accept certain limitations on its ability to compete in certain retail, private and direct banking markets in the European Union and on ING's ability to acquire (i) financial institutions and (ii) businesses insofar as this would delay its 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 have been made. ING was also required to agree to limitations on its 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 ING, resulting in additional payments on these instruments and limiting ING's ability to seek refinancing on more favourable terms. ING is furthermore restricted to a maximum ratio for mortgage production at ING Retail Banking Netherlands in relation to the mortgage production of Nationale-Nederlanden Bank until year-end 2015. The limitations described above will impose significant restrictions on its banking business operations and on its ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect ING Bank's ability to maintain or grow market share in key markets, as well as its results of operations.

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

Following completion of the planned divestments under the Restructuring Plan, ING expects 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 ING will remain focused on banking operations, ING Bank may become a smaller bank than that represented by its current banking operations. In the highly competitive Benelux market and the other markets in which ING Bank operates, its competitors may be larger, more diversified and better capitalised and have greater geographical reach than ING Bank, which could have a material adverse effect on ING Bank's ability to compete, as well as on its 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 ING Bank's ability to be a price leader and make acquisitions and on its compensation policies could further hinder its capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on ING Bank's 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 ING Bank's remaining core banking businesses.

ING's Restructuring Plan may not yield intended reductions in costs, risk and leverage.

Projected cost savings and impact on ING's 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 the Restructuring Plan have and will significantly alter the size and structure of ING and involve significant costs and uncertainties that could materially impact ING Bank" above;
- initiatives ING is contemplating may require consultation with various regulators as well as employees and labour representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

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

ING's agreements with the Dutch State impose certain restrictions regarding the issuance or repurchase of its 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 ING's Supervisory Board ("State Nominees"). The State Nominees have veto rights over certain material transactions. For so long as the Dutch State holds at least 25% of the Core Tier 1 Securities, for so long as the IABF is in place or for so long as any of the government guaranteed senior unsecured bonds issued by ING Bank N.V. under the Credit Guarantee Scheme of The Netherlands (the "Government Guaranteed Bonds") are outstanding, ING is prohibited from issuing or repurchasing any of its 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, ING has agreed to institute certain restrictions on the compensation of the members of the Executive Board and senior management (including the members of the Management Board Banking), including incentives or performance-based compensation. These restrictions could hinder or prevent ING from attracting or retaining the most qualified management with the talent and experience to manage its business effectively. See "Risks Related to the Group's Business, Operations, and Regulatory Environment – ING Bank may be unable to retain key personnel" above.

ING's agreements with the Dutch State have also led to certain restrictions being imposed by the EC as part of the Restructuring Plan, including with respect to ING's price leadership in EU banking markets and its ability to make acquisitions of financial institutions and other businesses. See "The limitations required by the EC on ING's ability to compete and to make acquisitions or call certain debt instruments could materially impact ING Bank" above.

Whenever the overall return on the (remaining) Core Tier 1 Securities issued to the Dutch State is expected to be lower than 10% per annum, 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 EC of 12 November 2008 (in State aid N 528/2008 – The Netherlands), the Core Tier 1 state aid measure must be (re)notified to the EC by the Dutch authorities if the overall return on the Core Tier 1 Securities of at least 10% per annum is not expected to be achieved. In such a case, the EC may require additional (behavioural) constraints as a condition of the compatibility of the measure.

In 2011, ING Group reported to the Dutch authorities that it had 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 1 Securities is furthermore conditional on approval from 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 Dutch State committed to re-notify the recapitalisation measure in the event that ING does not repay in full two consecutive tranches. Moreover, if ING does not repay a total of EUR 4.5 billion by 15 May 2015, the Dutch State commits to re-notify the recapitalisation measure.

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

DESCRIPTION OF ING BANK N.V.

GENERAL

ING Bank is part of ING Group. ING Group is the holding company for a broad spectrum of companies (together, "ING"), offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. Originating from The Netherlands, ING has a workforce of more than 84,000 people worldwide. Based on market capitalisation, ING Group is one of the 20 largest financial institutions in Europe (source: MSCI, Bloomberg, 31 December 2012). ING Group holds all shares of ING Bank N.V., which is a non-listed 100% subsidiary of ING Group. In 2009, ING announced a new strategic direction. It will separate its banking operations and insurance operations (including investment management operations) and develop towards a mid-sized international bank, anchored in The Netherlands and Belgium, and predominantly focused on the European retail market with selected growth options elsewhere. In addition, ING announced that all insurance operations (including investment management operations) would be divested over the following years. ING conducts its banking operations principally through ING Bank and its insurance operations (including investment management operations) principally through ING Verzekeringen N.V. and its subsidiaries ("ING Insurance").

In 2010, ING Bank introduced a new reporting structure reflecting two main business lines through which it is active: Retail Banking and Commercial Banking. Under this structure, ING Direct is included within Retail Banking.

ING Bank is a large international player with over 65,000 employees and an extensive global network in over 40 countries. Since 2011, ING Bank has been operating as a stand-alone business under the umbrella of ING Group.

Retail Banking

ING Bank views Retail Banking as having solid positions in the Benelux (Belgium, The Netherlands and Luxembourg), Western Europe (Austria, France, Germany, Italy and Spain) and Australia, and remaining well placed to seize opportunities in Central Europe (Poland and Romania), Turkey and Asia (China – through a minority stake in Bank of Beijing, India and Thailand – through a minority stake in TMB Bank).

Retail Banking provides retail and/or direct banking services to individuals and small and medium-sized enterprises in the above-mentioned countries, with a multi-product, multi-channel distribution approach. In all markets, Retail Banking focuses on providing easy and fair products at low costs, with an emphasis on operational excellence, customer centricity and balance sheet optimisation. In addition, private banking services are offered to wealthy individuals in Belgium, Luxembourg, The Netherlands, Poland, Romania and Turkey.

ING Direct, which is part of Retail Banking, is focused on its transformation into a full-service bank according to ING Bank's One Bank strategy.

Commercial Banking

ING Bank views Commercial Banking as having a market leading franchise in the Benelux and a strong position in Central and Eastern Europe. It serves its customers, ranging from mid-sized enterprises to multinationals, governments, and supranational organisations, through an extensive global network of operations in more than 40 countries.

This business line offers basic commercial banking services such as lending, payments and cash management, leasing, factoring, treasury and foreign exchange products. It also provides customers with tailored solutions, including specialised and trade finance, structured financial markets products, corporate finance, mergers and acquisitions, and debt and equity capital markets advice.

Both Retail Banking and Commercial Banking contribute to fulfilling ING's ambition to be the "preferred bank" for its customers.

INCORPORATION AND HISTORY

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

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

The registered office of ING Bank N.V. is at Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands (telephone number: +31 20 563 9111). ING Bank N.V. is registered at the Chamber of Commerce of Amsterdam under no. 33031431 and its corporate seat is in Amsterdam, The Netherlands. The Articles of Association of ING Bank N.V. were last amended by notarial deed executed on 30 December 2009. According to Article 2 of its Articles of Association, the objects of ING Bank N.V. are to conduct the banking business in the broadest sense of the word, including insurance brokerage, to acquire, construct and operate immovable properties, and furthermore to participate in, conduct the management of, finance and furnish personal or real security for the obligations of, and provide services to, other enterprises and institutions of whatever kind, but in particular enterprises and institutions active in the credit business, investments and/or other financial services, as well as to perform all that which is related or may be conducive to the foregoing.

As a non-listed company, ING Bank N.V. is not bound by the Dutch Corporate Governance Code. ING Group, as the listed holding company of ING Bank N.V., is in compliance with the Dutch Corporate Governance Code.

In May 2009, ING Group announced that – in line with its April 2009 strategy announcement – it was taking measures to simplify its governance. These measures have been implemented. In October 2009, ING Group announced that it would move towards a separation of ING's banking and insurance operations, clarifying the strategic direction for the bank and the insurance company going forward. This has also led to changes in the structure and composition of the respective Management Boards. ING Bank and ING Insurance now each have their own Management Board, consisting of the Group CEO, CFO and CRO and positions for four other members.

SUPERVISORY BOARD AND MANAGEMENT BOARD BANKING

ING Bank has a two-tier board system, consisting of a Supervisory Board and a Management Board Banking. All members of the Supervisory Board, with the exception of Luc Vandewalle, are independent within the meaning of the Dutch Corporate Governance Code. Luc Vandewalle is not to be regarded as independent within the meaning of the Dutch Corporate Governance Code because of his former position at ING Belgium. The task of the Supervisory Board is to supervise the policy of the Management Board Banking and the general course of events in the company and to assist the Management Board Banking by providing advice. The Management Board Banking is responsible for the daily management of the company.

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

– Supervisory Board: Jeroen van der Veer (chairman), Peter A.F.W. Elverding (vice-chairman), J.P. (Tineke) Bahlmann, Henk W. Breukink, Carin W. Gorter*, Jan H. Holsboer, Joost Ch.L. Kuiper, Hermann-Josef M. Lamberti*, Isabel Martín Castella*, Robert W.P. Reibestein, Yvonne C.M.T. van Rooy and Luc A.C.P. Vandewalle.

– Management Board Banking: Jan H.M. Hommen (chairman), J.V. (Koos) Timmermans (vice-chairman), Patrick G. Flynn (CFO), Ralph Hamers, W.F. (Wilfred) Nagel (CRO), William L. Connelly, C.P.A.J. (Eli) Leenaars and Hans van der Noordaa.

* Assumes appointment at the 2013 Annual General Meeting on 13 May 2013.

At the 2013 Annual General Meeting, Jan H.M. Hommen is expected to be reappointed to the Management Board Banking for a consecutive period ending on 1 October 2013. Ralph Hamers is expected to be appointed as a member of the Management Board Banking at the 2013 Annual General Meeting for a consecutive period of four years, ending after the Annual General Meeting in 2017. The Supervisory Board is expected to appoint Ralph Hamers as chairman of the Management Board Banking and chief executive officer as of 1 October 2013.

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

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

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

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

Listed below are the principal activities performed by members of the Supervisory Board outside ING.

Veer, J. van der

Non-executive director of Royal Dutch Shell plc, The Netherlands/United Kingdom (until the end of the Royal Dutch Shell plc 2013 Annual General Meeting in May 2013).

Chairman of the Supervisory Board of Koninklijke Philips Electronics, The Netherlands.

Member of the Supervisory Board of Het Concertgebouw N.V., The Netherlands.

Chairman of the Supervisory Council of Nederlands Openluchtmuseum, The Netherlands.

Member of the Board of Nationale Toneel (theatre), The Netherlands.

Chairman of the Supervisory Council of Platform Bèta Techniek, The Netherlands.

Chairman of the Advisory Council of Rotterdam Climate Initiative, The Netherlands.

Member of the Governing Board of European Institute of Innovation & Technology (EIT).

Elverding, P.A.F.W.

Chairman of the Supervisory Board of Koninklijke BAM Groep N.V., The Netherlands.

Vice-chairman of the Supervisory Board of SHV Holdings N.V., The Netherlands.

Chairman of the Supervisory Board of Q-Park N.V., The Netherlands.

Member of the Supervisory Board of Koninklijke FrieslandCampina N.V., The Netherlands.

Chairman of the Supervisory Board of Camille Oostwegel Holding B.V., The Netherlands.

Member of the Board of Stichting Instituut GAK, The Netherlands.

Bahlmann, J.P.

Professor in Business Administration, University of Utrecht, The Netherlands.

Vice-chairman of the Supervisory Board of N.V. Nederlandsche Apparatenfabriek “Nedap”, The Netherlands.

Member of the Board of Stedin Netbeheer B.V., The Netherlands.

Member of the Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR), The Netherlands.

Chairman of the Supervisory Board of Maasstad Ziekenhuis (hospital), The Netherlands.

Chairman of Stichting Max Havelaar, The Netherlands.

Member of the Board of Toneelgroep Amsterdam (theatre), The Netherlands.

Breukink, H.W.

Member of the Supervisory Board of NSI N.V. (real estate fund), The Netherlands.

Member of the Supervisory Board of Brink Groep BV, The Netherlands.

Chairman of the Supervisory Board of Heembouw Holding B.V., The Netherlands.

Chairman of the Supervisory Council of Omring (health care institution), Hoorn, The Netherlands.

Member of the Supervisory Board of HaagWonen (housing corporation), The Netherlands.

Chairman of the Supervisory Council of Inholland University, The Netherlands.

Gorter, C.W.

Carin Gorter Advice and Supervision (advising, coaching and investigations), The Netherlands.

Member of the Supervisory Board Cooperation of VGZ, The Netherlands.

Member of the Supervisory Council of OLVG (hospital), The Netherlands.

Member of the Supervisory Council of CBR (driving licence agency), The Netherlands.

Member of the Advisory Council Seeder de Boer, The Netherlands.

Holsboer, J.H.

Non-executive (senior independent) director of PartnerRe Ltd., Bermuda.

Chairman of the Supervisory Board of TD Bank N.V., The Netherlands.

Non-executive director of YAFA S.p.A., Turin, Italy.

Member of the Supervisory Board of YAM Invest N.V., The Netherlands.

Chairman of the Supervisory Board of Vither Hyperthermia B.V., The Netherlands.

Chairman of the Executive Board of Panorama Mesdag B.V., The Netherlands.

Chairman of the Board of Foundation Imtech, The Netherlands.

Member of the Investment Committee of the Dutch Cancer Society.

Kuiper, J.Ch.L.

Chairman of the Supervisory Board of IMC B.V, The Netherlands.

Member of the Supervisory Board of Hespri Holding B.V., The Netherlands.

Member of the Supervisory Council of Nexus Institute, The Netherlands.

Member of the Board of Stichting voor Ooglijders, The Netherlands.

Member of the Board of Prins Bernhard Cultuurfonds, The Netherlands.

Member of the Board of Aanwending Loterijgelden Nederland, The Netherlands.

Lamberti, H-J.M.

Member of the Kuratorium Frankfurt Institute for Advanced Studies, Germany.

Non-executive member of the Board of EADS N.V.

Martín Castellá, I.

Chairman and Chief Executive Officer of España Expansión Exterior, Spain.

Member of the Board of Konecta Foundation.

Member of the Advisory Board of Madrid Network, Spain.

Reibestein, R.W.P.

Member of the Supervisory Board of IMC B.V., The Netherlands.

Chairman of the Board of Royal Concertgebouw Orchestra, The Netherlands.

Member of the Board of Overseers Columbia University Business School, New York, United States.

Member of the Supervisory Board of World Wildlife Fund, The Netherlands.

Member of the European Council on Foreign Relations, London, United Kingdom.

Vice-chairman of the Supervisory Board of Leiden University, The Netherlands.

Vice-chairman of the Board of VVD (political party), The Netherlands.

Rooy, Y.C.M.T. van

Chairman of Nederlandse Vereniging van Ziekenhuizen (Dutch association of hospitals), The Netherlands.

Member of the Board of Trust Foundation Koninklijke Brill N.V, The Netherlands.

Member of the Board of Royal Concertgebouw Orchestra, The Netherlands.

Member of the Advisory Board of Nexus Institute, The Netherlands.

Member of the Board of Stichting Instituut GAK, The Netherlands.

Member of the Advisory Board of Stichting Nationaal Fonds Kunstbezit, The Netherlands.

Vandewalle, L.A.C.P.

Chairman of the Supervisory Board of Bakker Hillegom B.V., Lisse, The Netherlands.

Chairman of the Supervisory Board of Domo Real Estate, Waasmunster, Belgium.

Chairman of the Supervisory Board of Matexi Groep, Waregem, Belgium.

Chairman of the Supervisory Board of Plu Holding, Baillarges, France.

Chairman of the Supervisory Board of Transics International, Ieper, Belgium.

Chairman of the Supervisory Board of Alinso N.V., Zwijnaarde, Belgium.

Member of the Supervisory Board of Allia Insurance Brokers, Roeselare, Belgium.

Member of the Supervisory Board of Arseus, Waregem, Belgium.

Member of the Supervisory Board of Besix Groep, Sint-Lambrechts-Woluwe, Belgium.

Member of the Supervisory Board of Galloo, Menen, Belgium.

Member of the Supervisory Board of Masureel Veredeling, Wevelgem, Belgium.

Member of the Supervisory Board of Sea-Invest, Gent, Belgium.

Member of the Supervisory Board of Sioen Industries, Ardooie, Belgium.

Member of the Supervisory Board of Vergroup, Kontich, Belgium.

Member of the Supervisory Board of Veritas, Kontich, Belgium.

Member of the Supervisory Board of Willy Naessens Industriebouw, Wortegem-Petegem, Belgium.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has four standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee.

The organisation, powers and *modus operandi* of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. A short description of the duties for the four Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Bank, in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING Bank's internal and external auditors. The current members of the Audit Committee are Joost Kuiper (chairman), Tineke Bahlmann, Henk Breukink, Jan Holsboer, Yvonne van Rooy and Luc Vandewalle.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of the company as a whole as well as the structure and operation of the internal risk management and control systems.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including their remuneration) of the members of the Management Board Banking and on the policies and general principles on which the terms and conditions of employment of the members of the Management Board Banking and of senior managers of ING Bank N.V. and its subsidiaries are based.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Management Board Banking.

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

	2012	2011	2010	2009	2008
			(EUR millions)		
Balance sheet[(2)]					
Total assets	**836,068**	**961,165**	**933,073**	882,119	1,034,689
Total equity	**37,512**	**35,060**	**35,069**	31,217	24,121
Deposits and funds borrowed[(3)]	**633,756**	**682,523**	**717,222**	671,194	774,220
Loans and advances	**541,546**	**577,569**	**587,448**	551,774	598,328
Results[(4)]					
Total income	**16,298**	**17,195**	**17,901**	13,665	12,177
Operating expenses	**9,843**	**10,226**	**10,167**	10,192	10,364
Additions to loan loss provisions	**2,125**	**1,670**	**1,751**	2,973	1,280
Result before tax	**4,330**	**5,299**	**5,983**	500	533
Taxation	**1,124**	**1,216**	**1,408**	-43	-170
Net result (before minority interests)	**3,206**	**4,083**	**4,575**	543	703
Attributable to Shareholders of the parent	**3,115**	**4,005**	**4,495**	684	772
Ratios (in %)					
BIS ratio[(5)]	**16.91**	**14.26**	**15.30**	13.46	12.78
Tier-1 ratio[(6)]	**14.35**	**11.69**	**12.25**	10.23	9.32

Notes:

(1) These figures have been derived from the audited annual accounts of ING Bank N.V. in respect of the financial years ended 31 December 2008 to 2012, respectively.

(2) At 31 December.

(3) Figures including Banks and Debt securities.

(4) For the year ended 31 December.

(5) BIS ratio = BIS capital as a percentage of Risk Weighted Assets. Note: These Risk Weighted Assets are based on Basel II.

(6) Tier-1 ratio = Available Tier-1 capital as a percentage of Risk Weighted Assets. Note: These Risk Weighted Assets are based on Basel II.

SHARE CAPITAL AND PREFERENCE SHARES

The authorised share capital of ING Bank N.V. amounted to EUR 1,808 million at 31 December 2012, consisting of 1,600 million ordinary shares with a nominal value of EUR 1.13 each and 50 preference shares, with a nominal value of EUR 1.13 each. The issued and paid-up capital amounted to EUR 525 million, consisting of 465 million ordinary shares and seven preference shares at 31 December 2012.

SIGNIFICANT DEVELOPMENTS IN 2012 AND 2013

Important changes in regulation and supervision

Overall development in 2012

Continuing challenges in the external environment had an impact on ING Bank 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 ECB took action to relieve the immediate financial markets stress.

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 Bank. ING Bank supports the need to make financial institutions more resilient and the system as a whole more stable. ING Bank supports the overall majority of international, European and national measures being undertaken, such as the required strengthening of banks' core capital base.

European sovereign debt crisis affected credit and equity markets in 2012

The uncertainty about the future of the euro, combined with austerity measures taken in certain EU member states, are among the reasons why the Eurozone has been pushed back into recession. A modest recovery took place in the U.S. in 2012, while Chinese economic growth slowed in 2012. Globally, central banks continued to provide additional support to financial institutions. Although this support did not result in an overall economic recovery, it did partly stabilise financial markets.

Both in the Eurozone and the U.S., credit spreads followed a similar pattern in 2012. 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 decreased) 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. 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 U.S. economy

Austerity measures started to impact 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 2012.

While the recession continued in the Eurozone in 2012, the U.S. 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 started to decrease in 2012, reinforcing ING's view of a recovery slowly taking hold in the U.S.

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 increased economic activity again towards the end of 2012.

The uncertain economic outlook and the turbulence in the 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 European banking union based on four main pillars: an 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.

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 G-SIBs. G-SIBs will be required to hold an additional buffer above the 7% core Tier 1 buffer of Basel III, a requirement which will be phased in between 2016 and 2019. ING is in one of the lower categories of G-SIBs, and therefore is subject to an additional requirement of 1%. In addition, DNB 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 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 once CRD IV has been finalised. The final compromise proposals were approved by the EC in April 2013 although remain subject to the final approval of the EU Council of Ministers. 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, although implementation is now expected to be 1 January 2014. 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 Bank, is being shaped by CRD IV, and, in the case of ING Bank, 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 was delayed. Based on input from various parties, the 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 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 Basel Committee has been included in the final revisions to CRD IV.

EU crisis management framework

The draft Crisis Management Framework Directive (also referred to as The Resolution and Recovery 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 elements in 2014.

ING Bank 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 into equity in a resolution scenario with clear triggers attached to it. This would require banks to build up a sufficient level 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 plans to DNB in November 2012. These plans 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 Bank 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 Bank is diligently working towards providing this information and meeting the deadlines provided by DNB.

Bank structural reform

The EC'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, 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 EC 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, which combines 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 Bank 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 to 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 that would not be permitted in a deposit bank into a trading bank would be detrimental to the ability of banks to serve their customers.

Trading activities account for only a small percentage of ING Bank'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 ING's banking activities, providing such 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, and whether additional measures are needed. The Wijffels Committee has been asked to submit its report by 15 June 2013.

ING Bank reached agreement with U.S. Authorities

On 12 June 2012, ING Bank entered into a Settlement Agreement with the 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-month period. As part of the settlement, ING Bank has paid a total penalty of EUR 473 million. ING Bank recognised a provision in the first quarter of 2012 by which this issue was sufficiently covered.

Dutch regulatory developments

Dutch coalition government agreement

On 29 October 2012, the Dutch coalition government agreement was presented. This agreement contained a number of far-reaching policy goals for the banking sector which have yet 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 in 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 the 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 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.

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.

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 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 amounted to EUR 55 million in 2012. ING Bank believes 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 Bank will face double taxation, i.e. taxation by more than one country per bank activity.

Deposit Guarantee Scheme

In August 2011, the Dutch Ministry of Finance and DNB published their proposal to establish an ex-ante (i.e. pre-funded) Deposit Guarantee Scheme 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 relating 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 Deposit Guarantee Scheme contribution has now been postponed by two years until 1 July 2015.

The target level of the Deposit Guarantee Scheme will be 1% of total guaranteed deposits in The Netherlands. This is about EUR 4 billion now, to be built up, in principle, over 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. ING Bank expects the cost for ING Bank to amount to EUR 100 to 150 million on a yearly basis as of the start date of the Deposit Guarantee Scheme contribution. The banking industry is in discussions with the Dutch Ministry of Finance on several aspects of the Deposit Guarantee Scheme, 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 ("De Wit Committee") 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 De Wit Committee presented its report to the Dutch Parliament in April 2012.

The De Wit Committee formulated 20 recommendations, of which nine 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.

TRANSACTIONS WITH THE DUTCH STATE

On 12 November 2008, ING Group issued 1 billion Core Tier 1 Securities to the Dutch State against payment of EUR 10 per Core Tier 1 Security, resulting in an increase of ING Group's core Tier 1 capital of EUR 10 billion. The Core Tier 1 Securities do not form part of ING Group's share capital; accordingly, they do not carry voting rights in the General Meeting.

On 26 January 2009, ING Group reached an agreement with the Dutch State regarding the Illiquid Assets Back-Up Facility covering 80% of ING's Alt-A RMBS. During 2009, ING Bank N.V. issued various series of Government Guaranteed Bonds under the Credit Guarantee Scheme of The Netherlands in an aggregate total amount of approximately EUR 10 billion.

As part of these transactions, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which remain in place as long as the Dutch State owns at least 250 million Core Tier 1 Securities, as long as the Illiquid Assets Back-up Facility continues or any of the Government Guaranteed Bonds is outstanding (whichever expires last).

These arrangements provide that:

- the Dutch State may recommend two candidates (the "State Nominees") for appointment to the Supervisory Board of ING Group. Certain decisions of the Supervisory Board of ING Group require approval of the State Nominees;
- ING Group will develop a sustainable remuneration policy for its Executive Board and senior management that is aligned to new international standards. This remuneration policy, which has been adopted by the General Meeting, shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for "rewards for failure". The new remuneration policy shall also include objectives relating to corporate and social responsibility;
- members of the Executive Board of ING Group will not receive any performance-related payment – either in cash, options, shares or depositary receipts for shares – for the years 2008, 2009 and subsequent years until the adoption of the new remuneration policy mentioned above;
- severance payments to members of the Executive Board of ING Group will be limited to a maximum of one year's fixed salary, in line with the Dutch Corporate Governance Code; and
- appointment of the chief executive officer of the Executive Board of ING Group requires approval of the State Nominees.

Repaying the Dutch State

In October 2008 and January 2009, ING entered into transactions with the Dutch State: the first time to strengthen its capital position and the second time to mitigate risk. In the fourth quarter of 2009, ING took action to start repaying this support. Through its rights issue, ING successfully raised EUR 7.5 billion of new capital, which enabled it to repay EUR 5 billion of the Core Tier 1 Securities, representing half of the Core Tier 1 Securities, plus the accrued coupon from 12 May 2009 to 20 December 2009 of EUR 259 million and a repayment premium of EUR 346 million. In addition, the capital raised provided ING with a sufficient buffer to offset the negative capital impact of the additional payments to be made for the Illiquid Assets Back-up Facility.

On 7 March 2011, ING announced that it had informed the Dutch State of its intention to exercise its option for early repurchase of a further EUR 2 billion of the Core Tier 1 Securities at the next coupon reset date on 13 May 2011.

On 13 May 2011, ING announced that it had paid EUR 3 billion to the Dutch State, completing its planned repurchase of EUR 2 billion of the Core Tier 1 Securities issued in November 2008 at a 50% premium. ING funded this transaction from retained earnings.

On 19 November 2012, ING announced that, together with the Dutch State, it had reached an agreement with the EC on significant amendments to the Initial 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 environment, economic climate and more stringent regulatory requirements. As part of the agreement, 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 in the years 2012-2015.

On 26 November 2012, ING announced that it had paid EUR 1.125 billion to the Dutch State, including a EUR 750 million repayment of core Tier 1 securities and EUR 375 million in premium and interest. This payment was approved by DNB. This transaction brings the total paid to the Dutch State to EUR 10.2 billion, including EUR 7.8 billion in principal and EUR 2.4 billion in interest and premiums.

It remains ING's ambition to repay the remaining support as quickly as possible and ING intends to accelerate repayments if possible and prudent under the prevailing economic circumstances. Given the ongoing crisis in the eurozone and increasing regulatory capital requirements, ING needs to take a cautious approach and to maintain strong capital ratios in ING Bank as it builds towards the implementation of Basel III. Each subsequent repayment to the Dutch State requires prior approval from DNB, at the time ING decides to propose such repayment.

Progress on and renewal of the 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. ING announced the first five sales of its Asian Insurance/IM units, and the Insurance U.S. unit continued to prepare for an initial public offering ("IPO"). Moreover, ING and the Dutch State reached an agreement with the EC to significantly amend the 2009 Restructuring Plan.

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 was initially required to divest WestlandUtrecht Bank by 2012 and ING Direct USA and all of 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. On 2 May 2013, ING announced that ING U.S. started trading on the New York Stock Exchange (NYSE).

On 19 November 2012, ING announced that, together with the Dutch State, it had reached an agreement with the EC on significant amendments to the Initial Restructuring Plan. For more details on the agreement, including a description of these amendments, see the press release published by ING on 19 November 2012 entitled "ING reaches agreement on amended EC Restructuring Plan", which is incorporated by reference herein. As a result of the agreement, the EC will close its formal investigations as announced on 11 May 2012. ING will withdraw the appeal at the General Court of the European Union that it filed in July 2012. For legal principle reasons, the EC will continue with its appeal against the General Court's ruling of March 2012. However, ING, the Dutch State and the EC have agreed that any outcome of this procedure will not affect the aforementioned agreement.

SEPARATION PROCESS ON SCHEDULE

ING has continued to work towards the full physical and organisational separation of the banking and insurance/investment management activities. In 2011, ING laid the groundwork for the original base case of two initial public offerings ("IPOs") of ING's insurance and investment management activities: one for ING's U.S. operations and one for ING's European and Asian activities. However, on 12 January 2012, ING announced an update on the restructuring of the insurance and investment management businesses. Due to the uncertain economic outlook and volatile markets, especially in Europe, ING has decided to review other strategic options for its Asian insurance and investment management businesses.

The insurance businesses have made progress towards independent futures. The sale of a large part of the Asian insurance and investment management business was announced in 2012, and ING U.S. is in the process of conducting its IPO, bringing it one step closer to becoming an independent business. Preparations have been stepped up for the possible IPO of the European insurance and investment management business.

On 2 May 2013, ING announced that ING U.S. started trading on the New York Stock Exchange (NYSE) under the ticker symbol "VOYA". The IPO will not have a material impact on the regulatory capital of the Issuer.

The separation process of ING Bank and ING Insurance/Investment Management (IM) has been a significant undertaking, entailing more than 1,100 projects. It was set up as a four-year programme, running from early 2010 through to the end of 2013. Operational separation was achieved as of 1 January 2011. ING has incurred over EUR 500 million in expenses in executing the Restructuring Plan since it started.

DIVESTMENTS AND ACQUISITIONS

Divestments occurred in 2012

ING Direct Canada

On 29 August 2012, ING announced that it had reached an agreement to sell ING Direct Canada for a total consideration of CAD 3.1 billion (approximately EUR 2.5 billion at the then current exchange rates) to Scotiabank. Under the terms of the sale agreement, Scotiabank will pay CAD 3.1 billion in cash for all of the shares in ING Bank of Canada, which is the legal name of ING Direct Canada. ING Bank completed the sale on 15 November 2012.

Divestments occurred in 2013

ING Direct UK

On 6 March 2013, ING announced that it had completed the sale of ING Direct UK to Barclays Bank PLC. As announced on 9 October 2012, the transaction is a result of ING's continuous evaluation of its portfolio of businesses and is in line with ING's strategic objectives of sharpening the focus of ING Bank and further strengthening its capital position. As part of the transaction, ING transferred GBP 11.6 billion (approximately EUR 13.4 billion at the then current exchange rates) of ING Direct UK's savings and deposits and GBP 5.5 billion (approximately EUR 6.4 billion at the then current exchange rates) of mortgages to Barclays Bank PLC. Part of the UK investment portfolio has matured or has been liquidated to facilitate the transaction. The impact of these two transactions was booked in the third and the fourth quarter results of 2012.

On 26 April 2013, ING announced that it has reached an agreement to transfer its local custody services business in seven countries in Central and Eastern Europe (Bulgaria, the Czech Republic, Hungary, Romania, Russia, Slovakia and Ukraine) to Citi Securities and Fund Services. The transaction concerns a workforce of around 130 FTEs across the region and approximately EUR 110 billion assets held under custody as of the first quarter of 2013. The transaction is not expected to have a material impact on ING Bank's results. The transfer is subject to customer consent and applicable regulatory approvals. The transaction is expected to be completed in the second quarter of 2013 while the full migration of the clients business is expected to be finalised in the first quarter of 2014.

OTHER SIGNIFICANT DEVELOPMENTS

On 14 February 2013, ING announced that it had sold its 5% stake in KB Financial Group (KBFG) to institutional investors for a total amount equal to approximately EUR 500 million. The transaction is in line with ING's strategic objectives to sharpen its focus and further strengthen its capital position. ING obtained its stake in KBFG in 1999 through an investment in Korean bank H&CB, one of the companies which later formed KBFG.

On 22 February 2013, ING announced that Jan Hommen will step down from his position as CEO of ING Group on 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 reappoint 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 CEO of ING Group.

ING BANK STRATEGY

Since the financial crisis of 2008/2009, ING Bank has placed 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, ING Bank strengthened its 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, the Revised Restructuring Plan agreed with the EC in November 2012 has given ING more flexibility in completing its required divestments and making adjustments to 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 its debts; including with a significant premium.

ING has also updated and streamlined its remuneration policy, and continues to reduce its risk profile. Sustainability has become more central to ING's strategy and ING continues to foster dialogue with all existing and new stakeholders. ING Bank sharpened its strategy, and further reduced the size of its balance sheet and simplified its product range, making it easier to manage.

In 2012, several factors continued to put pressure on margins and limit ING 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 EC and build a stronger bank. ING Bank has made good progress on the ambitions for 2015, defined in January 2012. The main pillars on which ING 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 balancing 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 ING Bank Treasury function for the entire ING Bank which helps it better co-ordinate 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 believes it 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 Bank believes it has key positions in other Western, Central and Eastern European countries and Turkey, along with growth potential outside of Europe.

ING Bank further believes that it 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. ING Bank has experience in operating in lean, competitive markets, which it believes has helped it become a leader in innovative distribution. ING Bank believes that 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 ING does, ING is converging its retail banking business models in terms of product offerings and distribution channels. ING believes that operational excellence is crucial for meeting the demands of its 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, ING focuses on achieving true operational excellence, helping its customers obtain simple products through convenient and safe multi-channel access while also streamlining its organisation and systems. These initiatives are intended to offset some of the increasing regulatory costs and bank taxes, helping ING Bank to lower its current cost/income ratio. Once the restructuring of ING Group is complete and ING Bank is a completely stand-alone business, the emphasis will be on increasing ING Bank's deposit base and integrating the balance sheet by matching the deposits of ING Direct with loans from Commercial Banking. This should allow

ING Bank to increase the size of the business without growing the balance sheet. ING Bank aims to produce a competitive return on equity through low costs and with a low-risk balance sheet.

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

Shaping the future of ING's banking business

In 2012, ING Bank believes it has made significant progress towards building the "preferred bank" for its customers. In a challenging environment, ING Bank's earnings remained resilient and its strong funding position enabled it to continue to support customers. The lacklustre global economy, ongoing debt crisis in Europe and the cost of stricter regulation will require a continued disciplined, proactive approach to managing ING Bank's business. ING Bank will continue to focus on further strengthening its capital and funding and concentrating on solvency and liquidity.

ING Bank will continue to combine its retail and commercial banking activities in certain countries, pursue innovative distribution in retail banking and leverage its strengths as a leading commercial bank in the Benelux.

The focus in Retail Banking is on the simplification of ING Bank's model using the "direct when possible, advice when needed" approach.

ING Bank wants to selectively evolve its ING Direct businesses into mature banks.

Commercial Banking will concentrate on its key franchises and will seek to maintain a leadership position in its key markets and product areas. ING Bank sees its Commercial Banking business continuing to play a leading role in the Benelux and Central and Eastern Europe in the areas of Specialised Finance and Financial Markets.

ING Bank is confident that this strategy will ensure that ING Bank remains profitable and stays competitive in the new banking environment.

ING Bank in society

ING Bank's business is centred on people and trust. ING Bank believes that only by acting with professionalism and integrity can it maintain its stakeholders' confidence and preserve its reputation. At the heart of its values are the ING Business Principles, which are the global standard for the behaviour expected of every employee.

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

ING Bank 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 ING Bank's conviction that, to be a successful company, its business decisions must be in line with the expectations and interests of those to whom it owes its licence to operate – its stakeholders. Therefore, ING Bank does not engage in activities that seriously damage the environment or violate human rights. ING strives to achieve its business goals while making a positive and responsible contribution to society everywhere it does business.

ING Bank strengthened its commitment to minimising any potential unethical, illegal or harmful consequences of its business activities, investments or transactions by applying strict policies and principles. An example of integration into its 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.

ING Bank's commitment to sustainable development is also clearly reflected in its sustainability key performance indicators ("KPIs"). In 2012, ING Bank began the process of sharpening its goals and KPIs to enhance its accountability. ING Bank's refined sustainability KPIs reflect its ambition to provide suitable products and services that enhance the financial capabilities of its 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 Bank is committed to playing its part to stimulate economic development, a sustainable environment and a stable society.

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

Conclusions and ambitions

In a challenging environment over the last few years, ING Bank's capital and funding improved, its liquidity position remained strong and earnings remained resilient. This enabled ING Bank to continue to support its customers. Beside strengthening its financial position, ING Bank was also able to make good progress on its other strategic priorities: restructuring, streamlining the portfolio, repaying state aid and building a stronger banking business. ING Bank continued to build its banking businesses based on sound business ethics and good corporate citizenship. ING 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.

CORPORATE ORGANISATION

ING Bank N.V. has a Supervisory Board and a Management Board Banking. The Management Board Banking is responsible for the day-to-day management of ING Bank and its business lines (Retail Banking (which includes ING Direct and Commercial Banking). See "Supervisory Board and Management Board Banking" above.

The Management Board Banking sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategic and performance targets set by the Management Board Banking.

RETAIL BANKING

Retail Banking provides retail and/or direct banking services to individuals, and to small and medium-sized businesses in the Benelux (Belgium, The Netherlands and Luxembourg), Western Europe (Austria, France, Germany, Italy and Spain) and Australia, and remains well placed to seize opportunities in Central Europe (Poland and Romania), Turkey and Asia (China – through a minority stake in Bank of Beijing, India, and Thailand – through a minority stake in TMB Bank). These businesses are supported by a multi-product, multi-channel distribution approach. ING Bank serves two types of retail markets, each reflecting its different market positions and therefore each requiring a slightly different approach with regard to the retail strategy. In the mature markets of The Netherlands and Belgium, ING Bank's strategy is to assist its clients in areas such as wealth accumulation, savings and mortgages, with an emphasis on operational excellence, cost leadership and customer satisfaction. ING Bank seeks to distribute these different products through an efficient mix of channels appropriate to the client segments and products. In a number of selected developing markets with the right demographics, economic growth potential and stable institutional environment, ING Bank's strategy is to become a prominent player in the local retail banking markets, providing its clients with simple yet quality products.

The Netherlands

ING Bank in The Netherlands maintained a number two overall market position in 2012, serving 8.2 million retail and private banking customers and approximately 585,000 SME and mid-corporate customers. It has more than 400 agents, 275 branches and over 200 service points across the country.

Retail Banking Netherlands' strategy is linked to ING Bank's overall strategy to build a leading retail and commercial bank. In November 2012, ING Netherlands ("ING NL") launched "Orange is ING" – a new brand campaign which reflects ING Bank's convenience, simplicity, expertise and personal commitment. The aim is to become the "preferred bank" of The Netherlands.

All parts of ING NL continued to focus on knowledge-sharing across the business and a number of local collaboration projects were started across ING Bank's entire product range, to share knowledge and expertise on how to improve customer service.

ING NL took a number of initiatives to improve its product and service offering as customers demand simple, transparent products and quick and flawless delivery. ING NL, for example, introduced a mobile banking app for SMEs, in addition to the mobile app for private customers. The launch was supported by an advertising campaign, showing that ING makes everyday banking easier by giving customers access to their accounts "anytime, anywhere".

The mobile app, introduced for retail customers in 2011, reached a milestone of 1.9 million downloads in 2012, reflecting increased customer demand for mobile banking services. Mobile traffic had increased from 9 million (year-end 2011) to over 25 million visits a month by year-end 2012.

ING NL continued its Customer Suitability Programme, whereby products and services are assessed to see whether they still meet customer needs. Many service improvements were made, such as the provision of an early alert on the expiry of the fixed-interest rate term of a mortgage and improved communication on the price of business lending products.

ING NL continued to broaden its sustainable savings policy (*Duurzaam Spaarbeleid*), which provides consumers with simplified, transparent savings products. It has been integrated in ING's broader Customer Suitability Programme.

As part of the Initial Restructuring Plan and the EC decision of 18 November 2009, ING had committed to carve out part of its retail banking business: at the time WUH/Interadvies, now WestlandUtrecht Bank ("WUB"). WUB was commercially and operationally separated from ING Bank as of 18 November 2010. WUB is active in mortgages and consumer lending and is currently introducing consumer savings products. In November 2012, ING and the EC agreed that the commercial operations of WUB would be combined with the retail banking activities of Nationale-Nederlanden, which is to be divested as part of Insurance/IM Europe. This is to result in a competitive retail bank in the Dutch market with its own funding capabilities and a broad distribution network.

Belgium

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, branches and direct banking channels (fully automated branches, home banking services and call centres). 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 and vendors).

Expanding the "direct if possible, advice when needed" business model will remain ING Belgium's major objective going forward. ING Belgium has almost finished turning its smaller traditional branches into "proximity" outlets with self-service cash facilities and online banking access. At year-end 2012, 492 branches out of a total of 518 branches had been converted into proximity branches.

Retail Banking Belgium serves approximately 2.1 million retail and private banking customers and almost 170,000 SME, Mid-Corporate and Institutional customers. In 2012, it acquired 72,000 customers (net inflow). Since the introduction of the direct model in 2007, ING Belgium has gained almost 435,000 new customers.

Retail Banking Belgium includes Record Bank, a retail savings bank in Belgium, with close to 700,000 customers. Its strength is the personal approach taken by its network of around 1,500 independent agents, credit brokers and vendors.

ING Luxembourg

ING Luxembourg is a full universal bank with three business lines: domestic retail banking, private banking and commercial banking. ING Luxembourg serves private individuals, SMEs, large companies and financial institutions. ING Luxembourg has 16 branches and its retail operations serve approximately 100,000 customers.

Retail Germany

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

In Germany, one of ING Bank's key markets in Europe, ING Bank believes that ING-DiBa is the third largest bank in terms of number of customers.

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. ING-DiBa focuses on values such as fairness, transparency and solidity in order to strengthen its position.

Germany is one of the countries where ING has implemented a full bank model, the implementation of which began in 2011 with the integration of the German commercial banking activities in ING-DiBa. In 2012, this process was completed, showing clear benefits in managing the balance sheet more efficiently. Synergies were achieved by Retail Banking Germany providing funding at a competitive level, while Commercial Banking Germany is generating an additional source of high quality assets.

ING-DiBa Austria, which is reported under Retail Banking Germany, reached the milestone of 500,000 customers in March 2012.

Interhyp – Germany's biggest mortgage broker expanded its local branches and tied-agents network to over 50 in 2012.

Retail Rest of World

Retail Rest of World ("RoW") is comprised of the ING Direct business units in Australia, France, Italy and Spain. It also includes the ING Bank 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 to sell ING Direct Canada and ING Direct UK as part of ING Bank's strategic repositioning. The Canada transaction was closed in 2012 and the UK transaction was closed in the first quarter of 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.

Progress was made with the "One Bank" strategy. The balance-sheet integration activities remained on track with the finalisation of transfers in Italy, Spain and Australia in order to improve ING's overall funding position using local funding to finance local assets. Country CEOs and One Bank teams were established in France, Spain and Italy.

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.

All countries continued to reposition the contact centres and branches. The main aim was to convert them into advice channels and to integrate the customer experience and information platforms with other channels.

ING Direct's transformation into a full bank also includes the selective opening of bank shops and cafés in Spain, Italy and France.

Growth remains the key objective of the businesses and they will therefore focus on the number of active customers holding a current account and a savings account.

ING Bank Slaski showed a solid performance and crossed the milestone of three million retail customers. The number of SME customers increased to 162,676 in 2012. In Turkey, the customer base grew by 127,000 and now stands at 1.4 million. After the successful launch of the Orange Savings Account in 2011, ING Bank Turkey demonstrated excellent performance in 2012. Loan growth amounted to 22% and deposit growth to 27% during this period. ING Bank Turkey aspires to be one of the leading savings banks in Turkey. ING Direct Spain's customer base increased by 255,117 and totalled over 2.6 million at year-end 2012.

In Italy, the number of current accounts increased by 99,717 to a total of 303,200 and in France by 47,132 to 126,961 in 2012. The deposit offering in Romania was significantly upgraded and well received by customers.

In 2012, over 250,000 customers and more than 577,000 payment accounts 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

Commercial Banking offers core banking services such as lending and payments and cash management to corporate clients in more than 40 countries.

ING Bank views Commercial Banking as having a market leading franchise in the Benelux and a strong position in Central and Eastern Europe. Internationally, ING Bank believes that Commercial Banking is a leader in selected areas within the product lines industry lending ("Industry Lending") and financial markets. It serves its clients, ranging from mid-sized enterprises to multinationals, as well as governments and supranational organisations, through an extensive global network of operations in more than 40 countries.

ING Bank 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.

In 2012, Commercial Banking remained focused on servicing its clients. ING Bank believes that it holds leading positions in the Benelux home markets, Central and Eastern Europe and in key functional product lines such as Industry Lending. It continued to invest in and streamline its operations and services to clients. Where necessary, business model adaptations were made in 2012 and more are planned in 2013, to ensure that the business remains competitive and that customer centricity remains paramount.

Lending is a core element and essential product in building and supporting client relationships in ING Bank's target markets creating a position from which it is able to provide other services. ING Bank's Industry Lending activity includes Structured Finance ("SF") and Real Estate Finance ("REF"). These are specialised commercial lending activities, in which ING Bank originates loans with an emphasis on achieving good risk adjusted returns.

SF is managed in three groups: the Energy, Transport and Infrastructure Group, the Specialised Financing Group, and International Trade and Export Finance. In 2012, the businesses saw a small reduction in income due to a decrease in lending assets, and also a reduction in the regulatory capital employed.

REF's primary activity is lending to investors in income-producing real estate backed by first mortgages. About half of the business is in The Netherlands, where the portfolio extends to middle market lending. During 2012, REF sought to maintain the quality of its credit portfolio, despite the challenging market circumstances, with a strategy to reduce exposure to this asset class, while avoiding losses from forced sales. As part of this strategy, REF has placed activities in Australia and the U.S. into run-off. The main feature of 2012 was a sharp increase in risk costs as real estate markets in many countries continued to deteriorate. New loan finance for real estate in many places in Europe is scarce, although in the U.S. there is strong competition from both banks and institutional investors for the top quality business. The loan book overall remains of good quality, but several outlying transactions have required provisioning. ING Bank has extensively reviewed its loan provisioning and monitoring activity.

For General Lending, the challenge is to maintain margins and volume within the current risk appetite while competition intensifies, in particular in markets where large domestic banks protect their core franchises. While margin pressures have increased, ING Bank's average margin remains above pre-crisis levels. General Lending has sought to maintain what it believes is its position as market leader in the Benelux and CEE as bookrunner, and has continued to support corporate clients through its international network. ING constantly strives to improve its corporate lending products to ensure they remain in alignment with changes in client behaviour, market developments and regulation. Further standardisation of ING Bank's product offering and streamlining of lending processes across countries is required to deal with these challenges in an effective way.

ING established the Transaction Services ("TS") business line in 2011, bringing together all the basic transaction banking products under one umbrella with the objective of providing a more integrated and effective product offering to clients across Europe. The products are Payments & Cash Management ("PCM"), Trade Finance Services, Working Capital Solutions, Securities Services, Bank Mendes Gans and Leasing and Factoring.

TS aims to become a leading transaction services bank for international clients in Europe by improving the customer experience through improved execution and customer service; further investing in electronic channels for the combined products; rationalising and simplifying its product portfolio; making decisive investments into core products such as Trade Finance Services and PCM; and by simplifying the organisational structure to make it more client centric and more efficient. Despite the market conditions and its ongoing transformation process, TS continues to generate stable financial returns. A key strategic portfolio initiative has been the run-off of Leasing in 11 European countries, including the UK. Leasing will continue only in those markets where it is an integrated part of ING Bank's full service offering. Given the nature of the leasing business, it was decided to transfer the remaining parts of Leasing out of TS into ING Bank's General Lending division as from 1 January 2013.

Financial Markets (“FM”) is the global business unit that manages ING Bank’s financial markets trading and sales businesses. 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 will revert to the title of Financial Markets.

In 2012, FM withdrew from Mexico but retained its offshore Latin American derivatives business in London. It also announced the closure of the international cash equities business outside the Benelux, including the closure (excluding Poland) of the Central and Eastern European business which unfortunately became no longer viable in the current market, economic and regulatory conditions. The foreign exchange rates and credit trading activities in four CEE countries have been centralised or re-aligned. In addition, FM is employing a number of de-risking strategies within the derivatives portfolios to reduce capital and balance sheet usage.

The business line continued to increase efficiency and reduce operational complexity through a decrease in the number of booking locations and front office IT systems. This has reduced costs and operational risk, and helped the business unit meet new regulatory requirements.

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

ING Bank’s balance sheet strategy is to improve its professional funding profile, to integrate further the balance sheet by matching originated assets with originated liabilities across business units in different countries, to further de-risk the investment portfolio by converting it into a liquid asset buffer.

The Real Estate & Other (“RE & O”) division consists of the residual assets of the legacy businesses sold or discontinued within the former Real Estate Development (“RED”) and Real Estate Investment Management (“REIM”) businesses, plus a number of General Lease operations which have been placed in ‘run-off’ in 2011 and 2012.

RE & O continued to close legacy divestments in 2012, reducing exposure substantially despite the continued challenging and deteriorating market. Residual future commitments have been dissolved, through a combination of stake sales and negotiated exits. Although impairments are still at relatively high levels, the portfolio is adequately provisioned and being wound down in a controlled manner. In 2012, RE & O closed operations in various countries and the organisation and costs have been reduced to minimum level.

In 2012, a dedicated Lease run-off organisation was established, to oversee the discontinuation of General Lease operations outside its core markets ensuring the necessary control and management oversight.

2012 was a challenging year for the banking industry and for all parts of Commercial Banking. However, even in these difficult conditions, Commercial Banking was able to take many positive steps to reinforce its competitive position across its core products and countries of operation. ING Bank initiated a review of its business portfolio while continuing to build on its strengths. Commercial Banking complied with new regulations and prepared for future regulatory change. It maintained leadership positions in the Benelux and in Central and Eastern Europe, and in its core product areas within Industry Lending and Financial Markets and it further developed its TS operations.

Commercial Banking continues to develop new core businesses for the future while streamlining and optimising existing operations. It will steadfastly ensure that its clients are at the core of its business, maintaining an unwavering focus on providing superior products and services.

REGULATION AND SUPERVISION

The banking and broker-dealer businesses of ING Bank are subject to detailed and comprehensive supervision in all the jurisdictions in which ING Bank conducts business. This supervision is based in large part on EU directives and regulations, discussed more fully below. As a large multinational financial institution, ING Bank is subject to reputational and other risks in connection with regulatory and compliance matters involving these jurisdictions.

Dutch Regulatory Framework

The Dutch regulatory system for financial supervision consists of prudential supervision – monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision – regulating institutions' conduct in the markets. Prudential supervision is exercised by the Dutch Central Bank, while conduct-of-business supervision is performed by the 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 FSB and the Basel Committee on Banking Supervision at the transnational level, Dodd-Frank in the United States and an expanding series of supranational directives and national legislation in the European Union. The aggregated impact and possible interaction of all of these proposals 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 supervision mechanism (the “SSM”), a mechanism composed of national competent authorities and the 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 ECB is envisaged to assume its supervisory tasks within the SSM either on 1 March 2014 or twelve months after the relevant legislation has entered into force, whichever is later, subject to operational arrangements, and is designed for countries within the Eurozone, with the possibility of non-Eurozone member states to participate by means of close co-operation. 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 was submitted to and approved by 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 (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 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 U.S. 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 ING 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 scrutinising 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, Combat Terrorist Financing; 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. Authorities in relation to the investigation by them into compliance with U.S. economic sanctions and U.S. dollar payment practices until 2007. See "Description of ING Bank N.V. – Significant Developments in 2012 and 2013 – ING Bank reached agreement with U.S, authorities". ING Bank has co-operated closely and constructively with regulators and other authorities throughout this process. The U.S. Authorities have recognised ING's substantial co-operation in the resolution and ING's efforts and commitment to continuously enhance compliance within the organisation.

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

The Dodd-Frank Act, which became law on 21 July 2010, creates a new agency, the Financial Stability Oversight Council ("FSOC"), an inter-agency body that is responsible for monitoring the activities of the U.S. financial system, designating systemically significant financial services firms and recommending a framework for substantially increased regulation of such firms, including systemically important non-bank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-U.S. companies. 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 ING has previously announced, it anticipates divesting ING U.S. (which comprises U.S. Insurance and IM U.S.) through a base case of an IPO. A registration statement on Form S-1 and certain amendments thereto have been filed. On 2 May 2013, ING U.S. started trading on the New York Stock Exchange (NYSE). 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, ING believes will substantially reduce the likelihood of ING or any of its U.S. operations, or any part thereof, being designated as a non-bank 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. ING 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 ING Bank's operations and results, as discussed under the section entitled "Risk Factors". As a large multinational financial institution, ING Bank is subject to reputational and other risks in connection with regulatory and compliance matters involving these countries.

Basel II and EU Standards as currently applied by ING Bank

The Dutch Central Bank, ING Banks' home supervisor, has given ING Bank permission to use the most sophisticated approaches for solvency reporting under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), the Dutch legislation reflecting the Basel II Accord. The Dutch Central Bank has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where ING Bank N.V. operates through a separate legal entity, ING Bank must meet local Basel requirements as well.

ING Bank 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. As of 2009, the Basel I regulatory floor is based on 80% of Basel I RWA. A small number of portfolios are still reported under the Standardised Approach.

In December 2010, the Basel Committee on Banking Supervision announced higher global minimum capital standards for banks, and has introduced a new global liquidity standard and a new leverage ratio. 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, SIFIs, in addition to the Basel III requirements otherwise applicable to most financial institutions.

The implementation of these measures began in 2012 and full implementation is targeted for 2019. ING Bank has been designated by the Basel Committee and FSB as a 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 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 ING Bank, will depend on how they are implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, ING expects these rules could have a material impact on ING Bank's operations and financial condition and may require ING Bank to seek additional capital.

ING Bank files consolidated quarterly and annual reports of its financial position and results with the Dutch Central Bank 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 N.V. also has a subsidiary in the United States, ING Financial Holdings Corp, 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 Bank sold ING Direct USA to Capital One Financial Corporation. The transaction closed on 17 February 2012. See “Description of ING Bank N.V. – Divestments and Acquisitions”. ING no longer conducts retail banking in the United States.

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 extraterritorial 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 ING Bank. 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, 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 programmes 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 Exchange Act, which requires ING to disclose whether ING Group or any of its affiliates, including ING Bank, has engaged during the calendar year in certain Iran-related activities, including any transaction or dealing with the government of Iran that is not conducted pursuant to a specific authorisation of the U.S. government.

ING Bank maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities owned by the government of Iran. These positions remain on the books, but accounts related thereto are “frozen” under applicable laws and procedures. Any interest or other payments ING Bank is legally required to make in connection with said positions are made into “frozen” accounts. Funds can only be withdrawn by relevant Iranian parties from these “frozen” accounts after due regulatory consent from the relevant competent authorities. ING Bank has strict controls in place to ensure that no unauthorised account activity takes place while the account is “frozen”. ING Bank may receive loan repayments, but all legacy loan repayments received by ING Bank have been duly authorised by the relevant competent authorities. For the relevant period, ING Bank had gross revenues of approximately 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 Bank of Canada (trading as ING Direct Canada) to Scotiabank on 15 November 2012. See “Description of ING Bank N.V. – Divestments and Acquisitions”. 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 N.V., 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 is an Australian incorporated subsidiary which holds a Banking Licence, an Australian Financial Services Licence (“AFSL”) and Australian Credit Licence (“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.

BROKER-DEALER ACTIVITIES

United States

ING Bank’s broker-dealer entities in the United States are regulated by the U.S. Securities and Exchange Commission, the states in which they operate, and the Financial Industry Regulatory Authority (“FINRA”), the self-regulatory organisation which succeeded to the 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, the Exchange Act, 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 Bank entities in the United States (including certain of its broker-dealers) also act in the capacity of a federally registered investment adviser (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 Bank 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 Bank in the context of such activities. Moreover, the laws impose restrictions on transactions or require disclosure of transactions involving advisory clients and the adviser or the adviser’s affiliates, as well as transactions between advisory clients. In addition, ERISA imposes certain obligations on investment advisers managing employee plan assets.

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

The failure of ING Bank 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 U.S. 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.

SELECTED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET OF ING BANK N.V.*

	31 December 2012	31 December 2011	31 December 2010
		(EUR millions)	
Assets			
Cash and balances with central banks	**15,447**	**28,112**	9,519
Amounts due from banks	**39,053**	**45,323**	51,828
Financial assets at fair value through profit and loss:			
– trading assets	**114,320**	**123,176**	125,070
– non-trading derivatives	**9,075**	**10,076**	8,990
– designated as at fair value through profit and loss	**2,768**	**2,838**	3,066
Investments:			
– available-for-sale	**74,279**	**74,935**	99,200
– held-to-maturity	**6,545**	**8,868**	11,693
Loans and advances to customers	**541,546**	**577,569**	587,448
Investments in associates	**841**	**827**	1,494
Real estate investments	**207**	**435**	562
Property and equipment	**2,336**	**2,417**	5,615
Intangible assets	**1,778**	**1,743**	2,265
Assets held for sale	**6,781**	**62,483**	300
Other assets	**21,092**	**22,363**	26,023
Total assets	**836,068**	**961,165**	933,073
Equity			
Shareholders' equity (parent)	**36,669**	**34,367**	34,452
Minority interests	**843**	**693**	617
Total equity	**37,512**	**35,060**	35,069
Liabilities			
Subordinated loans	**16,407**	**18,408**	21,021
Debt securities in issue	**134,689**	**130,926**	125,066
Amounts due to banks	**38,704**	**72,233**	72,852
Customer deposits and other funds on deposit	**460,363**	**479,364**	519,304
Financial liabilities at fair value through profit and loss:			
– trading liabilities	**83,652**	**107,682**	108,049

	31 December 2012	31 December 2011	31 December 2010
		(EUR millions)	
– non-trading derivatives	**15,919**	**18,161**	15,825
– designated as at fair value through profit and loss	**13,399**	**13,021**	12,707
Liabilities held for sale	**14,244**	**64,265**	145
Other liabilities	**21,179**	**22,045**	23,035
Total liabilities	**798,556**	**926,105**	898,004
Total liabilities and equity	**836,068**	**961,165**	933,073

*These figures have been derived from the audited annual consolidated accounts of ING Bank in respect of the financial years ended 31 December 2012, 2011 and 2010.

BREAKDOWN OF SHAREHOLDERS' EQUITY OF ING BANK N.V.*

	31 December 2012	31 December 2011	31 December 2010
		(EUR millions)	
Share capital	**525**	**525**	525
Share premium	**16,542**	**16,542**	16,542
Revaluation reserve	**2,216**	**550**	1,457
Currency translation reserve	**-263**	**209**	500
Other reserves	**17,649**	**16,541**	15,428
Shareholders' equity (parent)	**36,669**	**34,367**	34,452

*These figures have been derived from the audited annual consolidated accounts of ING Bank in respect of the financial years ended 31 December 2012, 2011 and 2010.

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ING BANK N.V.*

		2012		2011		2010
			(EUR millions)			
Interest income	**60,271**		**65,204**		68,952	
Interest expense	**-48,023**		**-51,620**		-55,365	
Interest result		**12,248**		**13,584**		13,587
Investment income		**595**		**-544**		447
Net gains/losses on disposal of group companies		**1,605**		**813**		313
Gross commission income	**3,109**		**3,471**		3,556	
Commission expense	**-976**		**-976**		-923	
Commission income		**2,133**		**2,495**		2,633
Valuation results on non-trading derivatives		**-950**		**156**		-724
Net trading income		**1,101**		**311**		1,195
Share of profit from associates		**22**		**32**		104
Other income		**-456**		**348**		346
Total income		**16,298**		**17,195**		17,901
Addition to loan loss provisions		**2,125**		**1,670**		1,751
Intangible amortisation and other impairments		**211**		**321**		504
Staff expenses		**4,921**		**5,506**		5,570
Other operating expenses		**4,711**		**4,399**		4,093
Total expenses		**11,968**		**11,896**		11,918
Result before tax		**4,330**		**5,299**		5,983
Taxation		**1,124**		**1,216**		1,408
Net result (before minority interests)		**3,206**		**4,083**		4,575
Attributable to:						
Shareholders of the parent		**3,115**		**4,005**		4,495
Minority interests		**91**		**78**		80
		3,206		**4,083**		4,575

*These figures have been derived from the audited annual consolidated accounts of ING Bank in respect of the financial years ended 31 December 2012, 2011 and 2010.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

FACTORS AFFECTING RESULTS OF OPERATIONS

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

Financial environment

In 2012 the external environment continued to have an impact on ING Bank as the sovereign debt crisis in the Eurozone continued to contribute to 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 ING Bank, its industry and the broader economy especially in Europe where funding for governments and financial institutions continues to be difficult in certain markets.

Fluctuations in equity markets

ING Bank's 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 ING Bank executes for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

ING Bank's operations are exposed to fluctuations in interest rates. ING Bank's management of interest rate sensitivity affects the results of its 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 ING Bank's underlying banking portfolios on the other hand. Both the composition of ING Bank's assets and liabilities and the fact that interest rate changes may affect client behaviour in a different way than assumed in ING Bank's internal models result in a mismatch which causes the longer-term banking operations' net interest income and trading results to be affected by changes in interest rates.

Fluctuations in exchange rates

ING Bank is exposed to fluctuations in exchange rates. ING Bank's management of exchange rate sensitivity affects the results of its operations through the trading activities for its own account and because ING Bank prepares and publishes its consolidated financial statements in euros. Because a substantial portion of ING Bank's income and expenses is denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies into euros will impact ING Bank's reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realised results in non-euro currencies are translated into euros by monthly hedging. Fluctuations in exchange rates will also impact the value (denominated in euros) of ING Bank's investments in its non-euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of ING

Bank's non-euro reporting subsidiaries are generally denominated in the same currencies. Translation risk is managed taking into account the effect of translation results on the core Tier-1 ratio.

Critical Accounting Policies

See the section "Accounting policies for the consolidated annual accounts of ING Bank" in the ING Bank consolidated financial statements for the year ended 31 December 2012.

CONSOLIDATED RESULTS OF OPERATIONS

The following information should be read in conjunction with, and is qualified by reference to, ING Bank's consolidated financial statements and other financial information included elsewhere herein. ING Bank evaluates the results of its operations, including the business lines of the banking operations, using the financial performance measure of underlying result before tax. Underlying result before tax is defined as result before tax, excluding, as applicable for each respective segment, either all or some of the following items: results from divested units, realised gains/losses on divestitures and special items such as certain restructuring charges and other non-operating income/expense. Disclosures on comparative years also reflect the impact of the current year's divestments.

While these excluded items are significant components in understanding and assessing ING Bank's consolidated financial performance, ING Bank 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, ING Bank believes that trends in the underlying profitability of its segments can be more clearly identified without the effects of the realised gains/losses on divestitures as the timing is largely subject to ING Bank's discretion, influenced by market opportunities and ING Bank 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-EU. ING Bank's definition of underlying result before tax may differ from those used by other companies and may change over time. For further information on underlying result before tax, as well as the reconciliation of ING Bank's underlying result before tax to its result before taxation, see "Segment Reporting" below and Note 43 of the ING Bank consolidated financial statements for the year ended 31 December 2012.

The following table sets forth the consolidated results of operations of ING Bank for the years ended 31 December 2012, 2011 and 2010:

	2012	**2011**	**2010**
		(EUR millions)	
Underlying income			
Net interest result	11,992	12,308	12,129
Commission income	2,149	2,230	2,228
Total investment and other income	297	11	1,074
Total underlying income	**14,438**	**14,549**	**15,431**
Underlying expenditure			
Operating expenses	8,900	8,839	8,679
Addition to loan loss provision	2,122	1,336	1,448
Total underlying expenditure	**11,022**	**10,175**	**10,127**

	2012	2011	2010
		(EUR millions)	
Underlying result before tax	**3,416**	**4,373**	**5,304**
Taxation	1,031	1,135	1,285
Minority interests	91	79	70
Underlying net result	**2,294**	**3,160**	**3,949**
Divestments(1)	1,449	1,295	886
Special items(2)	-628	-450	-340
Net result	**3,115**	**4,005**	**4,495**

Notes:

(1) Divestments include the net operating result of the divested units as well as the gains/losses on the divestments. Divestments: sale of ING Direct USA (EUR 489 million, 2012, EUR 332 million, 2011, EUR 308 million, 2010), sale of ING Direct UK (EUR -260 million, 2012), sale of ING Direct Canada (EUR 1,219 million, 2012, EUR 76 million, 2011, EUR 97 million, 2010), sale of REIM (EUR 453 million, 2011, EUR 23 million, 2010), sale of Car Lease (EUR 405 million, 2011, EUR 57 million, 2010), sale of Philippines (EUR 29 million, 2011) sale of Private Banking Swiss (EUR 73 million, 2010), sale of Private Banking Asia (EUR 334 million, 2010), sale of Summit Canada (EUR -6 million, 2010).

(2) Special items: new Dutch employee pension scheme (EUR 218 million, 2012), settlement with U.S. Authorities (EUR -386 million, 2012), liability management transaction (EUR 70 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), an adjustment of the Illiquid Assets Back-up Facility based on higher prepayment behaviour in the underlying Alt-A securities (EUR -156 million, 2011), restructuring provisions and other (EUR -390 million, 2012, EUR -212 million, 2011, EUR -116 million, 2010).

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

Underlying result before tax declined by 21.9% to EUR 3,416 million in 2012 from EUR 4,373 million in 2011. This decline in underlying result 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 included EUR 601 million of losses from proactive 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 14.3% lower, fully attributable to higher risk costs.

The net result declined to EUR 3,115 million in 2012 from EUR 4,005 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 result 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 U.S., various restructuring programmes including further restructuring in Retail Netherlands and Commercial Banking, and costs related to the separation of ING Bank and ING Insurance. These negative impacts were partly offset by a provision release following the announcement of the new Dutch employee pension scheme. The 2011 net result included EUR 821 million of gains on divestments, mainly related to the sale of ING Car Lease and Real Estate Investment Management, and EUR 474 million of operating net result from divested units. Special items after tax were EUR -450 million, mainly related to various restructuring programmes, separation costs, as well as a value adjustment of the Illiquid Assets Back-up Facility.

Total underlying income declined by 0.8% to EUR 14,438 million in 2012, from EUR 14,549 million in 2011. The underlying net interest result decreased by 2.6% to EUR 11,992 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 ING Bank lengthened its funding profile. The underlying interest margin declined to 1.35% in 2012, from 1.42% in 2011. Commission income fell 3.6% to EUR 2,149 million, mainly in Commercial Banking. Total investment and other income rose to EUR 297 million, from EUR 11 million in 2011. The increase is mainly explained by a EUR 323 million gain on the sale of ING Bank's equity stake in Capital One, lower combined losses from impairments and de-risking in the European debt securities portfolio and improved performance at Bank Treasury, partly offset by the negative swing in CVA/DVA adjustments.

Underlying operating expenses increased slightly, by 0.7% to EUR 8,900 million in 2012, compared with EUR 8,839 million in 2011. The increase was mainly due to inflationary and regulatory pressure, including the EUR 175 million Dutch bank levy largely 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 in 2012, from EUR 1,336 million in 2011, mainly due to weak economic and business fundamentals. 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 by 17.6% to EUR 4,373 million in 2011 from EUR 5,304 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 2010 included EUR 275 million of capital gains on the sale of two Asian equity stakes. Excluding these items, underlying result before tax slightly rose, by 2.2%.

The net result declined to EUR 4,005 million in 2011 from EUR 4,495 million in 2010. In 2011, the sale 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 result from divested units (including those sold in 2012) amounted to EUR 474 million. In 2011, special items after tax were EUR -450 million and related to various restructuring programmes, 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 result from divested units, while special items were related to ING Bank's previous restructuring programmes.

Total underlying income declined by 5.7% to EUR 14,549 million in 2011 from EUR 15,431 million in 2010. The underlying net interest result edged up to EUR 12,308 million from EUR 12,129 million in 2010, supported by a small increase in volumes. The underlying interest margin improved slightly to 1.42% from 1.41% in 2010. Commission income remained flat in 2010, as increases in Commercial Banking (mainly Industry Lending) were offset by declines in Retail Banking. Total investment and other income was EUR 11 million in 2011 compared with EUR 1,074 million in 2010, mainly 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 amortisation and other impairments, increased by 1.8% to EUR 8,839 million in 2011, 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 by 7.7% to EUR 1,336 million in 2011 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.

CONSOLIDATED ASSETS AND LIABILITIES

The following table is a summary of the consolidated assets and liabilities of ING Bank for the years ended 31 December 2012, 2011 and 2010:

	2012	2011	2010
		(EUR billions)	
Financial assets at fair value through the profit and loss account	126.2	136.1	137.1
Investments	80.8	83.8	110.9
Loans and advances to customers	541.5	577.6	587.4
Total assets	836.1	961.2	933.1
Customer deposits and other funds on deposit	460.4	479.4	519.3
Debt securities in issue/other borrowed funds	151.1	149.3	146.1
Total liabilities (including minority interests)	799.4	926.8	898.6
Shareholders' equity	36.7	34.4	34.5

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

Total assets decreased by 13.0%, or EUR 125.1 billion, to EUR 836.1 billion at 31 December 2012 compared to EUR 961.2 billion at 31 December 2011, largely due to the divestments of ING Direct USA and ING Direct Canada. Excluding these divestments, total assets declined by EUR 33.1 billion. Assets held for sale decreased by EUR 55.7 billion, loans and advances to customers decreased by EUR 36.0 billion and cash and balances with central banks decreased by EUR 12.7 billion, compared with 2011. Assets held for sale relate to businesses for which a sale is agreed upon or a sale is highly probable at the balance sheet date but for which the transaction has not yet fully closed. For 31 December 2011, assets held for sale related to ING Direct USA, which was sold in February 2012. For 31 December 2012, this relates to ING Direct UK, the sale of which was completed in March 2013. Decline in loans and advances to customers was mainly due to the sale of ING Direct Canada in 2012 and, to a lesser extent, the effect from reclassification of ING Direct UK to held-for-sale.

Customer deposits and other funds on deposit declined by EUR 19.0 billion to EUR 460.4 billion at 31 December 2012 from EUR 479.4 billion at 31 December 2011. Excluding the divestment of ING Direct Canada and the announced sale of ING Direct UK (classified as held for sale), customer deposits and other funds on deposits rose by EUR 22.7 billion.

Shareholders' equity increased by 6.7%, or EUR 2,302 million, to EUR 36,669 million at 31 December 2012 compared with EUR 34,367 million at 31 December 2011. The increase was mainly caused by the EUR 3,115 million net result from the year 2012 and a EUR 1,666 million increase in revaluation reserve, partly offset by EUR 2,125 million cash dividend paid to ING Group as well as a EUR 472 million decline in currency translation reserve.

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

Total assets increased by 3.0%, or EUR 28.1 billion, to EUR 961.2 billion at 31 December 2011 compared to EUR 933.1 billion at 31 December 2010, as assets held for sale increased by EUR 62.2 billion and cash and balances with central banks increased by EUR 18.6 billion, in part offset by decline in Investments, which were EUR 27.1 billion lower in 2011 compared to 2010. Assets held for sale relate to businesses for which a sale is agreed upon or a sale is highly probable at the balance sheet date but for which the transaction has not yet fully closed. For 31 December 2011, this relates to ING Direct USA, which sale was completed in February 2012. Decline in Investments was mainly attributable to lower available-for-sale debt securities (including effect from reclassification of ING Direct USA to held-for-sale).

Shareholders' equity declined by 0.2%, or EUR 85 million, to EUR 34,367 million at 31 December 2011 compared to EUR 34,452 million at 31 December 2010. The decline was mainly due to EUR 3,000 million cash dividend paid to ING Group as well as a EUR 907 million decline in revaluation reserve and a EUR 291 million decline in currency translation reserve, largely offset by the net result from the year 2011 of EUR 4,005 million.

SEGMENT REPORTING

ING Bank's segments are based on its management structure, which is different from its legal structure. The following table sets forth the contribution of ING Bank's business lines and the corporate line ("Corporate Line") to the underlying net result for each of the years 2012, 2011 and 2010. As of 2012, the internal management reporting structure for ING Bank 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. In 2011, ING Bank identified the following segments for its 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 has been 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) are reported in the underlying result of the Corporate Line. See Note 43 to the ING Bank consolidated financial statements for the year ended 31 December 2012 for further disclosure of ING Bank's segment reporting.

2012	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line[(1)]	Total Banking
				(EUR millions)			
Total underlying income	**3,897**	**2,194**	**1,193**	**1,735**	**4,963**	**457**	**14,438**
Total underlying expenditure	**3,018**	**1,586**	**752**	**1,965**	**3,391**	**311**	**11,022**
Underlying result before tax	**878**	**609**	**441**	**-230**	**1,572**	**146**	**3,416**
Taxation	219	169	161	37	422	23	1,031
Minority interests	–	–	1	66	23	–	91
Underlying net result	**660**	**439**	**278**	**-333**	**1,127**	**123**	**2,294**
Divestments	–	–	–	1,449	–	–	1,449
Special items	-284	-22			-129	-193	-628
Net result	**376**	**417**	**278**	**1,116**	**997**	**-70**	**3,115**

2011	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line[(1)]	Total Banking
				(EUR millions)			
Total underlying income	**4,145**	**2,031**	**1,134**	**1,975**	**5,023**	**239**	**14,549**
Total underlying expenditure	**2,885**	**1,577**	**740**	**1,803**	**3,004**	**167**	**10,175**
Underlying result before tax	**1,261**	**455**	**395**	**172**	**2,019**	**72**	**4,373**
Taxation	317	108	134	37	485	54	1,135
Minority interests	–	–	1	59	19	–	79
Underlying net result	**944**	**347**	**259**	**76**	**1,516**	**18**	**3,160**
Divestments	12	2	–	408	873	–	1,295
Special items	-246	-12	–	–	-80	-112	-450
Net result	**710**	**337**	**259**	**484**	**2,309**	**-94**	**4,005**

2010	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line[(1)]	Total Banking
				(EUR millions)			
Total underlying income	**4,310**	**2,047**	**1,171**	**2,192**	**5,350**	**361**	**15,431**
Total underlying expenditure	**2,936**	**1,505**	**729**	**1,666**	**3,133**	**158**	**10,127**
Underlying result before tax	**1,374**	**542**	**442**	**526**	**2,217**	**203**	**5,304**
Taxation	361	91	139	143	511	40	1,285
Minority interests	–	-6	1	42	33		70
Underlying net result	**1,013**	**458**	**302**	**340**	**1,674**	**162**	**3,949**
Divestments	16	75	–	739	56	–	886
Special items	-232	-13	–	–	-65	-30	-340
Net result	**797**	**520**	**302**	**1,079**	**1,664**	**133**	**4,495**

Note:

(1) Corporate Line mainly includes items not directly attributable to the business lines, including EUR 175 million Dutch Bank levy and the EUR 323 million gain on the sale of ING Bank's stake in Capital One in 2012, and EUR 275 million of capital gains on the sale of two Asian equity positions in 2010. Special items in 2012 included a settlement of EUR -386 million with U.S. Authorities, EUR -25 million of restructuring and separation costs and a EUR 218 million pension curtailment following the new Dutch employee pension scheme announced in 2012, Special items in 2011 included an adjustment of EUR -156 million of the Illiquid Assets Back-up Facility based on higher prepayment behaviour in the underlying Alt-A securities and EUR -26 million of restructuring and separation costs, partly offset by the EUR 70 million result on the liability management transaction. Special items in 2010 mainly related to separation costs.

The business lines are analysed on a total basis for Underlying Income, Underlying Expenditure and Net Result. The product split within Commercial Banking is based on underlying figures.

RETAIL NETHERLANDS

	Retail Netherlands		
	2012	**2011**	**2010**
		(EUR millions)	
Underlying income			
Interest result	3,377	3,612	3,816
Commission income	485	481	498
Other underlying 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 underlying 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 declined by 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, due in particular 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 ING Bank's cost-reduction programme, and 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 ING Bank's cost-reduction programme 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 result 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 by 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 by 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 by EUR 0.2 billion and margins declined. Funds entrusted increased by EUR 3.1 billion, mainly driven by a successful marketing campaign for a one-year deposit in the fourth quarter. Operating expenses rose by 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 by 18.4% to EUR 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 ING Bank's cost-reduction programme 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 result of the 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 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

	Retail Belgium		
	2012	2011	2010
		(EUR millions)	
Additions to the provision for loan losses	168	145	160
Total underlying 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 to EUR 609 million in 2011, due to a strong increase in income supported by volume growth. Income rose by 8.0% to EUR 2,194 million in 2012, from EUR 2,031 million in 2011, mainly due to higher interest results, as business growth was combined with higher margins. Income in 2011 was furthermore negatively affected by EUR 17 million of impairments on Greek government bonds. Net mortgage production was EUR 1.8 billion in 2012, while other lending grew by EUR 2.5 billion. The net production in funds entrusted was EUR 3.3 billion, mainly attributable to the successful introduction of a new retail savings product in the first half of 2012. Operating expenses declined slightly to EUR 1,418 million in 2012 compared with EUR 1,432 million in 2011. The lower contribution to the Deposit Guarantee Scheme and lower personnel expenses were largely offset by inflation-driven cost increases and a new bank levy. Risk costs increased by 15.9% on 2011 to EUR 168 million, or 83 basis points of average risk-weighted assets, mainly due to higher net additions in the mid-corporate segment.

Underlying net result increased to EUR 439 million in 2012 from EUR 347 million in 2011. 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. The Interest result remained flat, as decline in margins was compensated by higher volumes, particularly in savings and lending. Net production in mortgages totalled 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 year. 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 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 underlying 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 increased by 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 compared to 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 declined by 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 its securities brokerage business for retail customers. 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 to EUR 83 million in 2012, 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 by 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%, in 2011, 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 in 2011, 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 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 underlying 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**

	Retail Rest of World		
	2012	2011	2010
		(EUR millions)	
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 of India, Turkey and Poland. Risk costs rose to EUR 251 million, or 47 basis points of average risk-weighted assets in 2012, 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 in the 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 result 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 result 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 result 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 and other income	633	307	739
Total underlying income	**4,963**	**5,023**	**5,350**
Operating expenses	2,436	2,527	2,643
Additions to the provision for loan losses	955	477	490
Total underlying expenditure	**3,391**	**3,004**	**3,133**
Underlying result before tax	**1,572**	**2,019**	**2,217**
Taxation	422	485	511
Minority interests	23	19	33
Underlying net result	**1,127**	**1,516**	**1,674**
Divestments	–	873	56
Special items	-129	-80	-65
Net result	**997**	**2,309**	**1,664**

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

Commercial Banking´s underlying result before tax decreased by 22.1% to EUR 1,572 million in 2012, compared with EUR 2,019 million in 2011. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were made up of EUR 457 million of negative adjustments in 2012, compared with 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 before tax 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 credits business. Underlying result of Bank Treasury, Real Estate & Other improved to EUR 135 million in 2012, from a loss of EUR 276 million in 2011, mainly due to the impact of the previous 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 decreased by 1.2% to EUR 4,963 million, primarily driven by Financial Markets, partly offset by increases in Bank Treasury, Real Estate & Other. 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, or 72 basis points of average risk-weighted assets, compared to EUR 476 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 decreased to EUR 1,127 million in 2012, from EUR 1,516 million in 2011. Net result dropped to EUR 997 million in 2012, compared with EUR 2,309 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 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 declined by 8.9% to EUR 2,019 million in 2011 compared to EUR 2,217 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 215 million to EUR -276 million in 2011 from EUR -61 million in 2010. This decline was mainly caused by EUR 225 million of 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 6.1% lower than in 2010, declining to EUR 5,023 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. Additions to the provision 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 1,516 million in 2011 from EUR 1,674 million in 2010. Net result improved to EUR 2,309 million in 2011 from EUR 1,664 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 loss of 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.

LIQUIDITY AND CAPITAL RESOURCES

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 as well as repayments of loans, disposals and redemptions of investment securities (mainly bonds), sales of trading portfolio securities, interest income and commission income. The major uses of funds are advances of loans and other credits, investments, purchases of investment securities, funding of trading portfolios, interest expense and administrative expenses.

ING Bank's Risk Management, including liquidity, is discussed in the section "Risk Management" of the ING Bank consolidated financial statements for the year ended 31 December 2012, which are incorporated by reference herein.

The following table sets forth the consolidated statement of cash flows for ING Bank for the years ended 31 December 2012, 2011 and 2010.

	2012	**2011**	**2010**
		(EUR millions)	
Result before tax	4,330	5,299	5,983
Adjusted for:			
- depreciation	606	1,338	1,533
- addition to loan loss provisions	2,125	1,670	1,751
- other	1,854	1,227	971
Taxation paid	-1,091	-1,067	-488
Changes in:			
- amounts due from banks, not available on demand	5,272	7,188	-4,333
- trading assets	7,448	1,662	-14,641
- non-trading derivatives	-2,191	1,407	-2,062
- other financial assets at fair value through profit and loss	-104	432	1,038
- loans and advances to customers	1,130	-26,392	-19,665
- other assets	-1,323	-2,095	1,769
- amounts due to banks, not payable on demand	-26,459	-6,731	-9,831
- customer deposits and other funds on deposit	21,334	30,569	21,052
- trading liabilities	-24,031	-369	9,804
- other financial liabilities at fair value through profit and loss	214	75	952
- other liabilities	-637	-310	-4,919

	2012	2011	2010
		(EUR millions)	
Net cash flow from operating activities	**-11,523**	**13,903**	**-11,086**
Investment and advances:			
- group companies	–	–	–
- associates	-20	-35	-104
- available-for-sale investments	-71,323	-155,004	-89,614
- held-to-maturity investments	–	–	-141
- real estate investments	-4	-9	-57
- property and equipment	-363	-422	-450
- assets subject to operating leases	–	-1,188	-1,284
- loan portfolio	-1,117	–	–
- other investments	-284	-263	-241
Disposals and redemptions:			
- group companies	-7,868	1,384	1,663
- associates	29	263	88
- available-for-sale investments	73,441	155,826	88,333
- held-to-maturity investments	2,308	2,370	2,620
- real estate investments	219	83	289
- property and equipment	53	52	40
- assets subject to operating leases	–	43	53
- loan portfolio	7,268	927	105
- other investments	2		3
Net cash flow from investing activities	**2,341**	**4,027**	**1,303**
Proceeds from issuance of subordinated loans	1,318	2,363	944
Repayments of subordinated loans	-2,919	-5,381	-1,787
Proceeds from borrowed funds and debt securities	298,557	382,664	318,206
Repayments from borrowed funds and debt securities	-296,419	-380,424	-308,939
Issuance of ordinary shares/capital injection	–	–	–
Issuance of preference shares	–	–	–
Payments to acquire treasury shares	–	–	–
Sales of treasury shares	–	–	–
Dividends paid	-2,125	-3,000	-200
Net cash flow from financing activities	**-1,588**	**-3,788**	**8,224**
Net cash flow	**-10,770**	**14,152**	**-1,559**

	2012	2011	2010
		(EUR millions)	
Cash and cash equivalents at beginning of year	31,197	17,188	18,170
Effect of exchange rate changes on cash and cash equivalents	185	-143	577
Cash and cash equivalents at end of year	20,612	31,197	17,188

At 31 December 2012, cash and cash equivalents includes cash and balances with central banks of EUR 15,447 million (2011: EUR 28,112 million; 2010: EUR 9,519 million). See Note 47 to the ING Bank consolidated financial statements for the year ended 31 December 2012.

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

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

Specification of cash position (EUR millions):

	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 consists 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 of loans and advances to customers (EUR 1,130 million compared to a cash outflow in 2011 of EUR 26,392 million) and a cash outflow of trading assets and liabilities (EUR 16,583 million compared to a cash inflow in 2011 of EUR 1,293 million).

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

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

The operating, investing and financing activities described above resulted in a negative cash flow of EUR 10,770 million 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 consists 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 inflow from amounts due to and from banks (EUR 457 million compared to a cash outflow in 2010 of EUR 14,164 million) and a cash outflow of loans and advances to customers of EUR 26,392 million (compared to a cash outflow in 2010 of EUR 19,665 million).

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 million 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. 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 N.V.

	2012	2011	2010
		(EUR millions)	
Shareholders' equity (parent)	36,669	34,367	34,452
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%

Notes:

(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 are based on IFRS-EU as primary accounting basis for statutory and regulatory reporting.

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

OFF-BALANCE-SHEET ARRANGEMENTS

The following table sets forth contingent liabilities and commitments of the Issuer for the years ended 31 December 2012 and 31 December 2011. See Note 24 to the ING Bank N.V. consolidated financial statements for the year ended 31 December 2012.

	Total 2012	Less than one year	More than one year	Total 2011	Less than one year	More than one year
			(EUR millions)			
ING Bank N.V.						
Banking operations						
Contingent liabilities in respect of:						
- discounted bills	1	1	–	2	2	–
- guarantees	24,034	18,739	5,295	25,617	20,301	5,316
- irrevocable letters of credit	14,552	14,234	318	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	**125,634**	**88,128**	**37,506**	**129,583**	**93,902**	**35,681**

SELECTED STATISTICAL INFORMATION

The information in this section is unaudited and sets forth selected statistical information regarding the operations of ING Bank. Information for 2012, 2011 and 2010 is prepared on the basis of IFRS-EU and is calculated based on figures included in the ING Bank consolidated financial statements for the respective financial year. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer. However, ING Bank believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented below.

	Year Ended 31 December		
	2012	**2011**	**2010**
Return on shareholders' equity of ING Bank	8.8%	11.6%	13.9%
Return on assets of ING Bank	0.4%	0.4%	0.5%
Shareholders' equity to assets of ING Bank	4.4%	3.6%	3.7%
Net interest margin of ING Bank	1.3%	1.4%	1.4%

AVERAGE BALANCES AND INTEREST RATES

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures do not reflect interest income and expense on derivatives and other interest income and expense not considered to be directly related to interest-bearing assets and liabilities. These items are reflected in the corresponding interest income, interest expense and net interest result figures in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest result figures to the corresponding line items in the consolidated financial statements is provided hereunder. *(Amounts in this section for assets and liabilities include assets and liabilities of ING Direct USA (Sale completed in February 2012), ING Direct Canada (Sale completed in November 2012) and ING Direct UK (Sale completed in March 2013); in the IFRS balance sheet ING Direct UK is presented as Assets and Liabilities held for sale.)*

ASSETS

	Interest-earning assets								
	2012			**2011**			**2010**		
	Average balance	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**	**Average balance**	**Interest income**	**Average yield**
	(EUR millions)		*(%)*	*(EUR millions)*		*(%)*	*(EUR millions)*		*(%)*
Time deposits with banks									
domestic	11,885	100	0.84%	11,749	230	1.96%	13,814	110	0.8%
foreign......................	22,750	352	1.55%	27,186	603	2.22%	27,318	833	3.1%
Loans and advances									
domestic	263,392	10,117	3.84%	250,865	10,160	4.05%	242,009	9,608	4.0%

	Interest-earning assets								
	2012			2011			2010		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(EUR millions)		(%)	(EUR millions)		(%)	(EUR millions)		(%)
foreign	358,548	14,240	3.97%	396,057	15,410	3.89%	385,423	14,375	3.7%
Interest-earning securities[(1)]									
domestic	22,320	640	2.87%	28,450	920	3.23%	30,926	1,014	3.3%
foreign	78,141	2,821	3.61%	106,296	4,052	3.81%	107,564	4,287	4.0%
Other interest-earning assets									
domestic	34,571	163	0.47%	22,649	363	1.60%	12,191	182	1.5%
foreign	20,831	158	0.76%	21,463	229	1.07%	20,535	183	0.9%
Total	**812,438**	**28,591**	**3.52%**	**864,715**	**31,967**	**3.70%**	**839,780**	**30,592**	**3.6%**
Non-interest-earning assets	38,222	–	–	44,403	–	–	54,008	–	–
Derivatives assets	**70,901**	–	–	**53,350**	–	–	**62,585**	–	–
Total assets[(1)]	**921,561**	–	–	**962,468**	–	–	**956,373**	–	–
Percentage of assets applicable to foreign operations	–	60.8%	–	–	65.9%	–	–	64.9%	–
Interest income on derivatives	–	31,617	–	–	33,132	–	–	38,356	–
Other	–	63	–	–	104	–	–	4	–
Total interest income	–	**60,271**	–	–	**65,204**	–	–	**68,952**	–

Note:

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

LIABILITIES

	Interest-bearing assets								
	2012			2011			2010		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
	(EUR millions)		(%)	(EUR millions)		(%)	(EUR millions)		(%)
Time deposits from banks									
domestic	18,252	166	0.91%	33,135	415	1.25%	26,922	249	0.9%
foreign	13,144	391	2.97%	16,306	399	2.45%	22,363	370	1.7%
Demand deposits(1)									
domestic	42,190	168	0.40%	42,599	211	0.50%	40,100	125	0.3%
foreign	46,396	157	0.34%	54,417	372	0.68%	55,505	383	0.7%
Time deposits(1)									
domestic	29,623	325	1.10%	25,658	306	1.19%	24,897	221	0.9%
foreign	20,381	365	1.79%	21,899	440	2.01%	20,064	364	1.8%
Savings deposits(1)									
domestic	79,677	1,834	2.30%	74,044	1,594	2.15%	72,830	1,459	2.0%
foreign	248,637	5,686	2.29%	283,367	5,761	2.03%	269,115	5,107	1.9%
Short-term debt									
domestic	34,470	260	0.75%	29,200	285	0.98%	16,233	135	0.8%
foreign	29,801	465	1.56%	33,600	629	1.87%	50,221	699	1.4%
Long-term debt									
domestic	73,306	2,432	3.32%	59,603	2,236	3.75%	42,364	1,681	4.0%
foreign	27,840	1,150	4.13%	27,093	1,174	4.33%	27,424	1,180	4.3%
Subordinated liabilities									
domestic	17,069	746	4.37%	19,628	870	4.43%	22,287	1,031	4.6%
foreign	904	40	4.42%	971	50	5.15%	1,114	61	5.5%
Other interest-bearing liabilities									
domestic	33,909	115	0.34%	46,047	454	0.99%	47,047	279	0.6%
foreign	49,830	515	1.03%	51,753	653	1.26%	57,419	514	0.9%
Total	765,429	14,815	1.94%	819,320	15,849	1.93%	795,905	13,858	1.7%
Non-interest-bearing liabilities	43,686	–	–	50,219	–	–	56,656	–	–
Derivatives liabilities	75,343	–	–	58,447	–	–	69,751	–	–
Total liabilities	884,458	–	–	927,986	–	–	922,312	–	–
Group capital	37,103	–	–	34,482	–	–	34,061	–	–
Total liabilities and capital	**921,561**	–	–	**962,468**	–	–	**956,373**	–	–
Percentage of liabilities applicable to foreign operations	–	58.8%	–	–	61.5%	–	–	63.3%	–
Other interest expense:									

	Interest-bearing assets								
	2012			2011			2010		
	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield	Average balance	Interest expense	Average yield
	(EUR millions)		(%)	(EUR millions)		(%)	(EUR millions)		(%)
interest expenses on derivatives	–	33,117	–	–	35,359	–	–	41,333	–
other	–	91	–	–	412	–	–	174	–
Total interest expense	–	**48,023**	–	–	**51,620**	–	–	**55,365**	–
Total net interest result	–	**12,248**	–	–	**13,584**	–	–	**13,587**	–

Note:

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

ANALYSIS OF CHANGES IN NET INTEREST INCOME

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

	2012 over 2011 Increase (decrease) due to changes in			2011 over 2010 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-earning assets						
Time deposits to banks						
domestic	3	-133	-130	-16	136	-120
foreign	-98	-153	-251	-4	-226	-230
Loans and advances						
domestic	695	-738	-43	352	200	-552
foreign	-1,459	289	-1,170	397	638	1,035
Interest-earning securities						
domestic	-198	-82	-280	-81	-13	-94
foreign	-1,073	-158	-1,231	-51	-184	-235
Other interest-earning assets						
domestic	191	-391	-200	156	-25	181

	2012 over 2011 Increase (decrease) due to changes in			2011 over 2010 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
		(EUR millions)			(EUR millions)	
foreign	-7	-64	-71	8	-38	46
Interest income						
domestic	691	-1,344	-653	411	348	759
foreign	-2,637	-86	-2,723	350	266	616
Total	**-1,946**	**-1,430**	**-3,376**	**761**	**615**	**1,375**
Other interest income	–	–	-1,557	–	–	-5,123
Total interest income	–	–	**-4,933**	–	–	**-3,748**

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

	2012 Average rate	2011 Average rate
	%	%
Interest spread		
domestic	1.5%	1.8%
foreign	1.7%	1.7%
Total	1.6%	1.8%
Net interest margin		
domestic	1.5%	1.7%
foreign	1.8%	2.0%
Total	1.7%	1.9%

	2012 over 2011 Increase (decrease) due to changes in			2011 over 2010 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
		(EUR millions)			(EUR millions)	
Interest-bearing liabilities						
Time deposits from banks						
domestic	-186	-63	-249	57	109	166
foreign	-77	69	-8	-100	129	29
Demand deposits						
domestic	-2	-41	-43	8	78	86
foreign	-55	-160	-215	-8	-3	-11
Time deposits						
domestic	47	-28	19	7	78	85

	2012 over 2011 Increase (decrease) due to changes in			2011 over 2010 Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
		(EUR millions)			*(EUR millions)*	
foreign	-31	-44	-75	33	43	76
Savings deposits						
domestic	121	119	240	24	111	135
foreign	-706	631	-75	270	384	654
Short-term debt						
domestic	51	-76	-25	108	42	150
foreign	-71	-93	-164	-231	161	-70
Long-term debt						
domestic	514	-318	196	684	-129	555
foreign	32	-56	-24	-14	8	-6
Subordinated liabilities						
domestic	-113	-11	-124	-123	-38	161
foreign	-3	-7	-10	-8	-3	-11
Other interest-bearing liabilities						
domestic	-120	-219	-339	-6	181	175
foreign	-24	-114	-138	-51	190	139
Interest expense						
domestic	312	-637	-325	759	432	1,191
foreign	-935	226	-709	-109	909	800
Total	**-623**	**-411**	**-1,034**	**650**	**1,341**	**1,991**
Other interest expense	–	–	-2,563	–	–	-5,736
Total interest expense	–	–	**-3,597**	–	–	**-3,745**
Net interest						
domestic	379	-707	-328	-348	-84	-432
foreign	-1,702	-312	-2,014	459	-643	-184
Net interest	**-1,323**	**-1,019**	**-2,342**	**111**	**-727**	**-616**
Other net interest result	–	–	1,006	–	–	613
Net interest result	–	–	**-1,336**	–	–	**-3**

INVESTMENTS OF ING BANK

The following table shows the balance sheet value under IFRS-EU of the investments of ING Bank:

	Year ended 31 December		
	2012	**2011**	**2010**
		(EUR millions)	
Debt securities available for sale			
Dutch government	8,285	6,552	6,135
German government	10,889	10,423	6,929
Central banks	808	2,088	1,578
Belgian government	10,170	10,438	7,543
Other governments	18,660	19,593	27,861
Banks and financial institutions	20,649	19,641	27,411
Other corporate debt securities	900	1,075	891
U.S. Treasury and other U.S. Government agencies	3	249	1,505
Other debt securities	1,281	2,410	16,606
Total debt securities available for sale	**71,645**	**72,469**	**96,459**
Debt securities held to maturity			
Dutch government	–	–	–
German government	100	531	583
Other governments	230	350	367
Banks and financial institutions	5,859	7,630	9,637
Other corporate debt securities	–	–	–
U.S. Treasury and other U.S. Government agencies	–	–	–
Other debt securities	356	357	1,106
Total debt securities held to maturity	**6,545**	**8,868**	**11,693**
Shares and convertible debentures	2,634	2,466	2,741
Land and buildings(1)	1,410	1,679	1,891
Total	**82,233**	**85,482**	**112,784**

Note:

(1) Including commuted ground rents.

Banking investment strategy

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

The investment portfolio related to the banking activities primarily consists of fixed-interest securities. Approximately 85% of the land and buildings owned by ING Bank are wholly or partially in use by ING companies.

Portfolio maturity description

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value	Yield(1)	Book value	Yield(1)	Book value	Yield(1)
	(EUR millions)	%	*(EUR millions)*	%	*(EUR millions)*	%
Debt securities available for sale						
Dutch government	1,516	–	1,815	–	4,954	–
German government	1,810	–	3,745	–	4,774	–
Belgian government	1,185	–	5,454	–	3,247	–
Central banks	808	–	–	–	–	–
Other governments	3,920	–	8,260	–	4,948	–
Banks and financial institutions	6,350	–	11,008	–	3,204	–
Corporate debt securities	56	–	549	–	13	–
U.S. Treasury and other U.S. Government agencies	–	–	1	–	1	–
Other debt securities	42	–	124	–	88	–
Total debt securities available for sale	**15,687**	5.0%	**30,956**	3.4%	**21,229**	3.5%

	Over 10 years		Total
	Book value	Yield(1)	Book value
	(EUR millions)	%	*(EUR millions)*
Debt securities available for sale			
Dutch government	–	–	8,285
German government	560	–	10,889
Belgian government	284	–	10,170
Central banks	–	–	808
Other governments	1,532	–	18,660
Banks and financial institutions	87	–	20,649
Corporate debt securities	282	–	900
U.S. Treasury and other U.S. Government agencies	1	–	3
Other debt securities	1,027	–	1,281

	Over 10 years		Total
	Book value	Yield(1)	Book value
	(EUR millions)	*%*	*(EUR millions)*
Total debt securities available for sale	**3,773**	5.4%	**71,645**

Note:

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

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value	Yield(1)	Book value	Yield(1)	Book value	Yield(1)
	(EUR millions)	*%*	*(EUR millions)*	*%*	*(EUR millions)*	*%*
Debt securities held to maturity						
Dutch government	–	–	–	–	–	–
German government	100	–	–	–	–	–
Belgian government	–	–	–	–	–	–
Central banks	–	–	–	–	–	–
Other governments	180	–	50	–	–	–
Banks and financial institutions	3,163	–	2,596	–	100	–
Corporate debt securities	–	–	–	–		–
U.S. Treasury and other U.S. Government agencies	–	–	–	–	–	–
Other debt securities	–	–	128	–	140	–
Total debt securities held to maturity	**3,443**	0.7%	**2,774**	3.6%	**240**	2.2%

	Over 10 years		Total
	Book value	Yield(1)	Book value
	(EUR millions)	*%*	*(EUR millions)*
Debt securities held to maturity			
Dutch government	–	–	–
German government	–	–	100
Belgian government	–	–	–
Central banks	–	–	–
Other governments	–	–	230

	Over 10 years		Total
	Book value	Yield[1]	Book value
	(EUR millions)	%	*(EUR millions)*
Banks and financial institutions	–	–	5,859
Corporate debt securities	–	–	–
U.S. Treasury and other U.S. Government agencies	–	–	–
Other debt securities	88	–	356
Total debt securities held to maturity	88	4.7%	6,545

Note:

(1) Since substantially all investment securities held by ING Bank are taxable securities, the yields are on a tax-equivalent basis.

At 31 December 2012, ING Bank also held the following securities for the banking operations that exceeded 10% of shareholders' equity:

	2012	
	Book value	Market value
	(EUR millions)	
Dutch government	8,285	8,285
German government	10,989	10,989
Belgian government	10,170	10,170

The following table sets forth the gross loans and advances to banks and customers at 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-EU:

IFRS-EU	**Year ended 31 December**				
	2012	**2011**	**2010**	**2009**	**2008**
	(EUR millions)				
By domestic offices:					
Loans guaranteed by public authorities	35,857	29,281	28,671	28,149	16,288
Loans secured by mortgages	160,098	168,382	161,937	159,990	158,861
Loans to or guaranteed by credit institutions	14,641	14,131	14,704	9,569	15,529
Other private lending	5,048	5,012	5,125	4,972	7,158
Asset-backed securities	0	0	0	0	0
Other corporate lending	41,333	48,504	52,194	49,980	123,462
Total domestic offices	**256,977**	**265,310**	**262,631**	**252,660**	**321,298**
By foreign offices:					
Loans guaranteed by public authorities	14,917	25,867	27,282	22,933	10,099

IFRS-EU	Year ended 31 December				
	2012	2011	2010	2009	2008
			(EUR millions)		
Loans secured by mortgages	152,369	160,404	172,802	147,484	145,090
Loans to or guaranteed by credit institutions	28,824	37,816	40,120	36,869	23,099
Other private lending	19,550	19,389	16,618	14,988	20,389
Asset-backed securities	7,044	13,328	18,605	21,831	11,766
Other corporate lending	104,644	103,706	103,620	99,104	109,903
Total foreign offices	327,348	360,510	379,047	343,209	320,346
Total gross loans and advances to banks and customers	**584,325**	**625,820**	**641,678**	**595,869**	**641,644**

Maturities and sensitivity of loans to changes in interest rates

The following table analyses loans and advances to banks and customers by time remaining until maturity at 31 December 2012:

	1 year or less	1 year to 5 years	After 5 years	Total
		(EUR millions)		
By domestic offices:				
Loans guaranteed by public authorities	747	1,534	33,576	35,857
Loans secured by mortgages	10,858	16,622	132,618	160,098
Loans guaranteed by credit institutions	12,315	2,214	112	14,641
Other private lending	3,162	628	1,258	5,048
Asset-backed securities	–	–	–	–
Other corporate lending	24,626	10,975	5,732	41,333
Total domestic offices	**51,708**	**31,974**	**173,296**	**256,977**
By foreign offices:				
Loans guaranteed by public authorities	6,599	4,597	3,721	14,917
Loans secured by mortgages	9,934	38,093	104,341	152,369
Loans guaranteed by credit institutions	20,387	7,688	749	28,824
Other private lending	9,197	6,933	3,420	19,550
Asset-backed securities	930	4,218	1,896	7,044
Other corporate lending	45,350	39,556	19,738	104,644
Total foreign offices	**92,397**	**101,085**	**133,866**	**327,348**
Total gross loans and advances to banks and customers	**144,105**	**133,059**	**307,162**	**584,325**

The following table analyses loans and advances to banks and customers by interest rate sensitivity by maturity at 31 December 2012:

	1 year or less	Over 1 year	Total
		(EUR millions)	
Non-interest earning	2,772	1,726	4,498
Fixed interest rate	71,603	144,796	216,399
Semi-fixed interest rate[(1)]	6,498	159,948	166,446
Variable interest rate	63,232	133,750	196,982
Total	**144,105**	**440,221**	**584,325**

Note:

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

Loan concentration

The following industry concentrations were in excess of 10% of total loans at 31 December 2012:

	Total outstanding
Private Individuals	43.0%

RISK ELEMENTS

Loans Past Due 90 days and Still Accruing Interest

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which ING Bank continues to recognise interest income on an accrual basis in accordance with IFRS-EU. Once a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. As all loans continue to accrue interest under IFRS-EU, the non-accrual loan status is no longer used to identify ING Bank's risk elements. No loans are reported as non-accrual and there is an increase in the amount of loans reported as Loans past due 90 days and still accruing interest, compared to the prior years reported, due to the interest accrual on impaired loans. The following table sets forth the outstanding balance of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-EU:

IFRS-EU	**Year ended 31 December**				
	2012	**2011**	**2010**	**2009**	**2008**
			(EUR millions)		
Loans past due 90 days and still accruing interest					
Domestic	6,367	5,292	5,758	3,865	2,799

IFRS-EU	Year ended 31 December				
	2012	2011	2010	2009	2008
	(EUR millions)				
Foreign	3,734	3,531	4,705	4,793	2,634
Total loans past due 90 days and still accruing interest	10,101	8,823	10,463	8,658	5,433

At 31 December 2012, EUR 10,093 million of the loans past due 90 days and still accruing interest have a loan loss provision. Total loans with a loan loss provision, including those loans classified as past due 90 days and still accruing interest with a provision and troubled debt restructurings with a provision, amounts to EUR 12,947 million at 31 December 2012.

LOAN PORTFOLIO

Loans and advances to banks and customers

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Lending facilities to corporate and private customers encompass, among others, loans, overdrafts and finance lease receivables. The following table sets forth the gross loans and advances to banks and customers at 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-EU:

Loans and loan loss provisions	**2012**	**2011**
	(EUR millions)	
Loans past due 90 days	10,101	8,823
Other impaired loans	2,853	2,498
Total impaired loans (loans with a loan loss provision)	12,954	11,321
Potential problem loans	10,451	8,641
Total impaired loans and potential problem loans	23,407	19,962
Loans neither impaired nor potential problem loans	560,921	605,858
Total	**584,325**	**625,820**
This amount is presented in the balance sheet as:		
Amounts due from Banks	37,302	43,308
Loans and advances to customers	547,023	582,512
Total	**584,325**	**625,820**
Loan loss provisions included in:		
Amounts due from Banks	28	7
Loans and advances to customers	5,477	4,943
Total loan loss provisions	**5,505**	**4,950**

	2012	**2011**
Loans and advances by customer type:		
Loans secured by public authorities	50,774	55,148

	2012	2011
Loans secured by mortgages	312,467	328,786
Loans guaranteed by credit institutions	43,465	8,639
Personal lending	24,598	24,401
Asset-backed securities	7,044	13,328
Corporate loans	145,977	152,210
Total	**584,325**	**625,820**

	2012	2011
Loan loss provisions by customer type:		
Loans secured by public authorities	2	3
Loans secured by mortgages	1,588	1,215
Loans guaranteed by credit institutions	30	9
Personal lending	794	716
Asset-backed securities	76	2
Corporate loans	3,015	3,005
Total	**5,505**	**4,950**

	2012	2011
Increase in loan loss provision by customer type:		
Loans secured by public authorities	-1	0
Loans secured by mortgages	373	-384
Loans guaranteed by credit institutions	21	-14
Personal lending	78	49
Asset-backed securities	74	2
Corporate loans	10	102
Total	**555**	**-245**

The net increase in loan loss provision includes:		
Increase in loan loss provision (P&L)	2,125	1,670
Write-offs and other	-1,570	-1,915
Total	**555**	**-245**

Troubled Debt Restructurings

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

The following table sets forth the outstanding balances of the troubled debt restructurings as of 31 December 2012, 2011, 2010, 2009 and 2008 under IFRS-EU.

IFRS-EU	Year ended 31 December				
	2012	2011	2010	2009	2008
			(EUR millions)		
Troubled debt restructurings:					
Domestic	781	276	366	782	51
Foreign	476	743	2,165	1,271	354
Total troubled debt restructurings	**1,257**	**1,019**	**2,531**	**2,053**	**405**

Interest Income on Troubled Debt Restructurings

The following table sets forth the gross interest income that would have been recorded during the year ended 31 December 2012 on troubled debt restructurings had such loans been current in accordance with their original contractual terms and interest income on such loans that was actually included in interest income during the year ended 31 December 2012:

	Year ended 31 December 2012		
	Domestic Offices	Foreign Offices	Total
		(EUR millions)	
Interest income that would have been recognised under the original contractual terms	1	19	20
Interest income recognised in the profit and loss account	0	9	9

Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 10,451 million as of 31 December 2012. Of this total, EUR 7,453 million relates to domestic loans and EUR 2,998 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing ING Bank to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying the loans as loans past due 90 days and still accruing interest or as troubled debt restructurings. Appropriate provisions, following ING Group's credit risk rating system, have been established for these loans.

Cross-border outstandings

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

Commitments such as irrevocable letters of credit are not considered as cross-border outstandings. Total outstandings are in line with Dutch Central Bank requirements. At 31 December 2012, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following tables analyse cross-border outstandings at 31 December 2012, 2011 and 2010 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets, by the following categories:

	Year ended 31 December 2012					
	Government & official institutions	Banks & other financial institutions	Commercial industrial	Other	Total	Cross-border commitments
			(EUR millions)			
United Kingdom	6,160	9,522	15,946	715	32,343	3,817
United States	5	3,361	5,581	4,808	13,756	10,853
France	5,197	7,842	2,933	886	16,858	2,733
Germany	7,580	2,261	2,453	3,244	15,838	6,724

	Year ended 31 December 2011					
	Government & official institutions	Banks & other financial institutions	Commercial industrial	Other	Total	Cross-border commitments
			(EUR millions)			
United Kingdom	683	11,800	12,950	900	26,333	3,803
United States	271	4,416	6,270	4,067	15,024	11,654
France	7,327	9,152	2,697	1,223	20,399	4,457
Germany	7,642	3,028	3,668	3,164	17,502	7,017

	Year ended 31 December 2010					
	Government & official institutions	Banks & other financial institutions	Commercial industrial	Other	Total	Cross-border commitments
			(EUR millions)			
United Kingdom	188	12,398	19,347	1,042	32,975	4,046
United States	49	4,749	7,952	4,363	17,113	10,309
France	9,113	13,051	3,565	1,170	26,899	3,282
Germany	7,138	5,560	2,850	3,379	18,927	6,846

As of December 2012 Belgium had cross-border outstandings between 0.50% and 0.75% of total assets and Italy and Spain both had cross-border outstandings between 0.40% and 0.50%. In 2011, Belgium, Spain and Italy had cross-border outstandings between 0.40% and 1% of total assets.

Summary of Loan Loss Experience

For a further explanation on loan loss provision, see "Loan Loss Provisions" in Note 2.1 to the ING Bank consolidated financial statements for the year ended 31 December 2012.

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

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2012, 2011, 2010, 2009 and 2008 under IFRS-EU:

IFRS-EU	**Year ended 31 December**				
	2012	**2011**	**2010**	**2009**	**2008**
			(EUR millions)		
Balance on 1 January	4,950	5,195	4,399	2,611	2,001
Change in the composition of the Group	-13	-3		-3	1
Charge-offs:					
Domestic:					
Loans secured by mortgages	-144	-129	-86	-79	-34
Loans to or guaranteed by credit institutions	-5	-14	-30	-55	-36
Other private lending	-47	-56	-65	-140	-126
Other corporate lending	-601	-343	-277	-229	-133
Foreign:					
Loans guaranteed by public authorities	-18	-6	-8	-12	-16
Loans secured by mortgages	-64	-50	-56	-5	-6
Loans to or guaranteed by credit institutions	–	-3	-5	-1	–
Other private lending	-133	-452	-404	-259	-114
Other corporate lending	-670	-251	-235	-437	-263
Total charge-offs	-1,682	-1,304	-1.166	-1,217	-728
Recoveries:					
Domestic:					
Loans secured by mortgages	35	36	23	2	–
Loans to or guaranteed by credit institutions	–	–	–	–	–
Other private lending	12	11	29	101	36
Other corporate lending	37	28	9	4	–
Foreign:					
Loans guaranteed by public authorities	–	–	–	–	–
Loans secured by mortgages	1	1	1	–	–
Loans to or guaranteed by credit institutions	–	–	3	–	–
Other private lending	30	29	29	24	27
Other corporate lending	27	7	11	17	27
Total recoveries	142	112	105	148	90

IFRS-EU	Year ended 31 December				
	2012	2011	2010	2009	2008
			(EUR millions)		
Net charge-offs	-1,540	1,192	-1,061	-1,069	-638
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)......................................	2,108	950	1,857	2,860	1,247
Balance on 31 December	**5,505**	**4,950**	**5,195**	**4,399**	**2,611**
Ratio of net charge-offs to average loans and advances to banks and customers	0.25%	0.18%	0.17%	0.17%	0.10%

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures.

The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2012, 2011, 2010, 2009 and 2008 under IFRS-EU:

IFRS-EU	Year ended 31 December									
	2012		2011		2010		2009		2008	
	(EUR)	*(%[1])*	*(EUR)*	*(%[1])*	*(EUR)*	*(%[1])*	*(EUR)*	*(%[1])*	*(EUR)*	*(%[1])*
					(EUR millions)					
Domestic:										
Loans guaranteed by public authorities.......	0	6.14	1	4.68	–	4.47	–	4.72	–	2.54
Loans secured by mortgages................	878	27.4	503	26.91	416	25.24	290	27.54	167	24.76
Loans to or guaranteed by credit institutions................	0	2.51	4	2.25	17	2.29	–	1.61	68	2.42
Other private lending	144	0.86	119	0.80	131	0.80	254	0.83	120	1.12
Other corporate lending......................	1,423	7.07	1,375	7.75	1,385	8.13	917	7.70	474	19.24
Total domestic	2,445	43.98	2,002	42.39	1,949	40.93	1,461	42.4	829	50.08
Foreign:										
Loans guaranteed by public authorities.......	2	2.57	2	4.13	3	4.25	3	3.85	2	1.57
Loans secured by mortgages................	710	26.28	712	25.63	1,183	26.93	1,066	23.90	425	22.61
Loans to or guaranteed by credit institutions................	30	4.56	5	6.05	6	6.7	47	6.78	17	4.02
Other private lending	650	3.37	596	3.10	536	2.59	436	2.52	533	3.18
Mortgage-backed securities	76	1.22	2	2.13	0	2.37	15	2.99	–	–
Other corporate lending......................	1,592	17.82	1,631	16.57	1,518	16.23	1,371	17.56	805	18.54
Total foreign.............	3,060	55.82	2,948	57.61	3,246	59.07	2,938	57.60	1,782	49.92

IFRS-EU	Year ended 31 December									
	2012		2011		2010		2009		2008	
	(EUR)	*(%[(1)])*	*(EUR)*	*(%[(1)])*	*(EUR)*	*(%[(1)])*	*(EUR)*	*(%[(1)])*	*(EUR)*	*(%[(1)])*
					(EUR millions)					
Total	**5,505**	**100.00**	**4,950**	**100.00**	**5,195**	**100.00**	**4,399**	**100.00**	**2,611**	**100.00**

Note:

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

DEPOSITS

The aggregate average balance of all the Group's interest-bearing deposits (from banks and customer accounts) decreased by 2.2% to EUR 56,715 million in 2012, compared to EUR 569,312 million in 2011. Interest rates paid reflect market conditions. The effect on net interest income depends upon competitive pricing and the level of interest income that can be generated through the use of funds. Deposits by banks are primarily time deposits, the majority of which are raised by the Group's Amsterdam based money market operations in the world's major financial markets. Certificates of deposit represent 27% of the category 'Debt securities' (31% at the end of 2011). These instruments are issued as part of liquidity management with maturities generally of less than three months. The following table includes the average deposit balance by category of deposit and the related average rate.

	2012		2011		2010	
	Average deposit	**Average rate**	**Average deposit**	**Average rate**	**Average deposit**	**Average rate**
	(EUR millions)	*(%)*	*(EUR millions)*	*(%)*	*(EUR millions)*	*(%)*
Deposits by banks						
In domestic offices:						
Demand – non-interest-bearing	1,637	–	2,502	–	5,646	–
– interest-bearing	2,367	0.9	5,930	1.0	4,646	1.0
Time	18,059	0.9	33,158	1.2	26,926	0.9
Other	8,556	2.8	10,546	1.9	9,681	1.5
Total domestic offices	30,619	–	52,136	–	46,899	–
In foreign offices:						
Demand – non-interest-bearing	1,849	–	1,561	–	1,468	–
– interest-bearing	6,034	1.2	5,851	1.6	5,932	1.0
Time	12,667	3.0	15,662	2.4	21,648	1.7
Other	11,559	1.3	9,981	1.6	14,832	3.8
Total foreign offices	32,109	–	33,055	–	43,880	–
Total deposits by banks	**62,728**	–	**85,191**	–	**90,779**	–
Customer accounts						
In domestic offices:						
Demand – non-interest-bearing	922	–	782	–	723	–

	2012		2011		2010	
	Average deposit	**Average rate**	**Average deposit**	**Average rate**	**Average deposit**	**Average rate**
	(EUR millions)	*(%)*	*(EUR millions)*	*(%)*	*(EUR millions)*	*(%)*
– interest-bearing	45,226	0.4	47,157	0.5	43,536	0.3
Savings	79,612	2.3	73,964	2.2	72,717	2.0
Time	29,619	1.1	25,628	1.2	24,738	0.9
Other	3,032	1.0	6,545	0.9	8,614	0.5
Total domestic offices	158,411		154,076		150,328	
In foreign offices:						
Demand – non-interest-bearing	6,865	–	6,422	–	6,295	–
– interest-bearing	48,118	0.5	50,197	0.9	56,865	0.8
Savings	256,425	2.2	257,262	2.2	269,115	1.9
Time	20,102	1.8	21,716	2.0	19,794	1.8
Other	7,066	2.6	5,715	3.6	6,296	3.9
Total foreign offices	338,576	–	341,312	–	358,365	–
Total customers accounts	**496,987**	–	**495,388**	–	**508,693**	–
Debt securities						
In domestic offices:						
Debentures	68,554	3.1	53,963	3.1	36,522	3.1
Certificates of deposit	26,819	0.7	23,915	0.9	11,546	0.8
Other	7,676	0.8	5,320	1.4	4,719	0.9
Total domestic offices	103,049	–	83,198	–	52,787	–
In foreign offices:						
Debentures	11,758	4.9	10,676	5.4	10,886	4.9
Certificates of deposit	13,885	2.4	17,195	2.5	35,748	1.3
Other	20,575	1.4	21,248	1.2	19,111	1.3
Total foreign offices	46,218	–	49,119	–	65,745	–
Total debt securities	**149,267**	–	**132,317**	–	**118,532**	–

For the years ended 31 December 2012, 2011 and 2010, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 31,728 million, EUR 46,778 million and EUR 47,019 million, respectively.

On 31 December 2012, the maturity of domestic time certificates of deposit and other time deposits exceeding EUR 20,000 was:

	Time certificates of deposit		**Other time deposits**	
	(EUR millions)	**(%)**	**(EUR millions)**	**(%)**
3 months or less	10,314	61.5	26,215	71.6
6 months or less but over 3 months	4,383	26.1	5,840	15.9

	Time certificates of deposit		Other time deposits	
	(EUR millions)	(%)	(EUR millions)	(%)
12 months or less but over 6 months	2,087	12.4	3,571	9.8
Over 12 months	0	0	994	2.7
Total	**16,784**	**100**	**36,620**	**100**

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices at 31 December 2012:

	(EUR millions)
Time certificates of deposit	7,757
Other time deposits	54,420
Total	**62,177**

Short-term Borrowings

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

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

IFRS-EU	Year ended 31 December		
	2012	2011	2010
	(EUR millions, except % data)		
Commercial paper			
Balance at the end of the year	14,323	21,967	20,517
Monthly average balance outstanding during the year	23,150	21,908	19,176
Maximum balance outstanding at any period end during the year	27,715	22,921	21,370
Weighted average interest rate during the year	0.82%	1.25%	1.47%
Weighted average interest rate on balance at the end of the year	1.32%	1.24%	1.38%
Securities sold under repurchase agreements			
Balance at the end of the year	26,573	54,886	61,468
Monthly average balance outstanding during the year	55,365	59,865	79,927
Maximum balance outstanding at any period end during the year	72,901	79,547	96,496
Weighted average interest rate during the year	0.72%	1.30%	0.73%

IFRS-EU	Year ended 31 December		
	2012	2011	2010
	(EUR millions, except % data)		
Weighted average interest rate on balance at the end of the year	1.50%	1.38%	0.94%

GENERAL INFORMATION

Documents Available for Inspection or Collection

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

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

(ii) the publicly available annual reports of the Issuer in respect of the years ended 31 December 2010, 2011 and 2012, including the audited financial statements and the auditors' reports in respect of such years;

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

(iv) a copy of this Registration Document; and

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

Ratings

The Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") of A+ (outlook negative), a senior debt rating from Moody's Investors Service Ltd. ("Moody's") of A2 (outlook negative) and a senior debt rating from Fitch France S.A.S. ("Fitch") of A+ (outlook negative).

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

Significant or Material Adverse Change

At the date hereof, there has been no significant change in the financial position of ING Bank N.V. and its consolidated subsidiaries and no material adverse change in the prospects of ING Bank N.V. since 31 December 2012, except for:

(i) the announcement in the Q1 Report (page 11) that ING Bank N.V. plans to pay a dividend of EUR 1.5 billion to ING Group.

Litigation

ING Bank N.V. and its consolidated subsidiaries are involved in litigation and arbitration proceedings in The Netherlands and in a number of foreign jurisdictions, including the United States, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, employers, investors and taxpayers, certain examples of which are described immediately below. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, ING Bank N.V. is of the opinion that neither it nor any of its consolidated subsidiaries is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ING Bank N.V. is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of ING Bank N.V. and/or ING Bank N.V. and its consolidated subsidiaries.

Because of the geographic spread of its business, ING Bank may be subject to tax audits in numerous jurisdictions at any point in time. Although ING Bank believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

Purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING's Perpetual Hybrid Capital Securities. The Court has determined that the claims relating to the 2007 offerings were without merit and has dismissed them. The challenged disclosures that survived the Court's ruling relate solely to the June 2008 offering, and primarily to ING Group's investments in certain residential mortgage-backed securities. The Court granted an ING Group motion to dismiss the remaining claims regarding the 2008 offerings. Plaintiffs filed a notice of appeal. It is therefore not practicable to provide an estimate of the (potential) financial effect.

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the EC's decision regarding ING's Restructuring Plan. In its appeal, ING contested the way the EC has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general. In July 2011, the appeal case was heard orally by the General Court of the European Union. On 2 March 2012, the General Court handed down its judgment in relation to ING's appeal and annulled part of the EC's state aid decision. Subsequently, the EC filed an appeal against the General Court's judgment before the Court of Justice of the European Union.

In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING Group as compatible with the internal market on the basis of ING's Initial Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the Initial Restructuring Plan.

On 24 July 2012, ING announced that the Dutch State and ING were in dialogue with the EC on an amended and updated Restructuring Plan to be submitted to the EC. However, in order to safeguard its legal rights, ING filed an appeal with the EU General Court against the EC's decision of 11 May 2012, which re-approved ING's Restructuring Plan that ING submitted in 2009.

On 19 November 2012, ING and the EC announced that the EC had approved amendments to the Initial Restructuring Plan. With the approval, the EC closed its investigation as announced on 11 May 2012 and ING withdrew its appeal at the General Court of the European Union that it filed in July 2012. For legal principle reasons the EC will continue with its appeal against the General Court ruling of March 2012. However, the outcome of this Appeal will not affect the EC approval of the Amended Restructuring Plan.

In January 2011, the Association of Stockholders (*Vereniging van Effectenbezitters*, "VEB") issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis N.V. (now: Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank, and former directors of Fortis N.V. According to the VEB, the prospectus shows substantive incorrect and misleading information. The VEB states that the impact and the risks of the sub-prime crisis for Fortis and Fortis' liquidity position have been reflected incorrectly in the prospectus. The VEB requests a declaratory decision stating that the summoned parties have acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. The amount of damages of EUR 18 billion has yet to be substantiated. ING is defending itself against this claim; at this time ING is not able to assess the outcome of the court proceeding. Therefore, at this moment, it is not practicable to provide an estimate of the (potential) financial effect of such action.

In July 2011, the Dutch ING Pensioners' Collective Action Foundation (*Stichting Collectieve Actie Pensioengerechtigden ING Nederland*), together with two trade unions (*FNV Bondgenoten and CNV Dienstenbond*) and a number of individual pensioners, instituted legal proceedings against ING's decision not to provide funding for indexing pensions insured with the Dutch ING Pension Fund (*Stichting Pensioenfonds ING*) per 1 January 2011. This claim was rejected by the Court on 9 November 2012. An appeal was lodged against this Court decision. In July 2011, the Interest Group ING General Managers' Pensions (*Belangenvereniging ING-Directiepensioenen*), together with a number of individual retired Dutch General Managers of ING, instituted legal proceedings against ING's decision not to provide funding for indexing Dutch General Managers' pensions per 1 January 2011. This claim was rejected by the Court on 22 October 2012. An appeal was lodged against this Court decision. It is not feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome of these proceedings may result in liabilities and provisions for such liabilities which are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

In April 2012, the Dutch ING Pension Fund (*Stichting Pensioenfonds ING*) formally announced its decision to institute arbitration against ING's decision not to provide funding for indexing pensions insured with the Dutch ING Pension Fund per 1 January 2012. Arbitrators awarded 40% of this claim. As a result, ING Group agreed to pay EUR 68 million plus interest to the pension fund. The outcome of the arbitration is reflected in the 2012 financial statements.

On 12 June 2012, ING Bank entered into a Settlement Agreement with the 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-month 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 co-operated closely and constructively with regulators and other authorities throughout this process. The U.S. Authorities have recognised ING's substantial co-operation in the resolution and ING's efforts and commitment to continuously enhance compliance within the organisation.

In December 2005, Interadvies N.V., at the time a subsidiary of ING Bank, sold Arenda Holding B.V. and five subsidiaries (together "Arenda") to Amodo Europe N.V. ("Amodo"). In November 2006, Amodo instituted legal proceedings against ING. Amodo claimed that ING informed them incorrectly with respect to the current and future financial status of Arenda at the time of the sale. This claim was rejected by the Court on 1 September 2010 but Amodo lodged an appeal against that Court decision. On 6 November 2012, the Court of Appeal partly awarded the claim of Amodo in an interlocutory judgement. In the interlocutory judgement, the Court of Appeal also instructed both ING and Amodo to submit a calculation of the damages involved to the Court of Appeal. Based on both calculations the Court of Appeal will make a final judgement. ING has the possibility to appeal against the legal grounds on which the final judgement is based. At this moment it is not practicable to provide an estimate of the (potential) financial effect of this proceeding.

Auditors

The financial statements of the Issuer for the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010, respectively, have been audited by Ernst & Young Accountants LLP. The auditors of Ernst & Young Accountants LLP are members of the Royal Dutch Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), which is a member of the International Federation of Accountants (IFAC). Ernst & Young Accountants LLP has issued an unqualified auditors' report on the financial statements for the financial year ended 31 December 2012 dated 18 March 2013, an unqualified auditors' report on the financial statements for the financial year ended 31 December 2011 dated 12 March 2012 and an unqualified auditors' report on the financial statements for the financial year ended 31 December 2010 dated 14 March 2011.

The auditors' reports in respect of the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010, respectively, incorporated by reference herein are included in the form and context in which they appear with the consent of Ernst & Young Accountants LLP, who have authorised the contents of these auditors' reports.

Dividend Information

ING Bank N.V. has paid the following cash dividends to ING Group in respect of each of the past five years: EUR 2,125 million in 2012, EUR 3,000 million in 2011, EUR 200 million in 2010, no dividend in 2009 and EUR 4,250 million in 2008.

Market Information

This Registration Document cites market share information published by third parties, including from the following sources: MSCI – Bloomberg.

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

THE ISSUER

Registered and Principal Office

ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

INDEPENDENT PUBLIC ACCOUNTANTS

To the Issuer

Ernst & Young Accountants LLP
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

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