

## **AMENDMENT TO PROGRAM INFORMATION**

### **Cover**

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This amendment is filed to update the information included in the Program Information dated on 30 March 2012. This constitutes an integral part of the Program Information dated on 30 March 2012 and shall be read together with it.

**SECTIONS TO BE UPDATED/AMENDED**

**PART I. SECURITIES INFORMATION**

**I-4 Other**

**(1) Taxation**

**(2) Risk factors**

**PART II. CORPORATE INFORMATION**

**I OUTLINE OF COMPANY**

## **PART I. SECURITIES INFORMATION**

### **I-4 Other**

#### (1) Taxation

*The corresponding section in the Program Information dated 30 March 2012 shall be entirely replaced with the following. The amendments are underlined to the extent possible.*

#### ***Introduction***

The following summary does not purport to be a comprehensive description of all Dutch, European Union ("EU") and Japanese tax considerations that could be relevant to holders of the Bonds. This summary is intended as general information only. Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Bonds. This summary is based on Dutch, EU and Japanese tax legislation and published case law in force as of the date of this document. It does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect. For the purpose of this summary, "The Netherlands" shall mean that part of the Kingdom of the Netherlands that is in Europe.

Where this summary refers to "The Netherlands" or "Dutch" it refers only to the European part of the Kingdom of The Netherlands.

#### ***Dutch taxation***

##### Scope

Regardless of whether or not a holder of Bonds is, or is treated as being, a resident of The Netherlands, with the exception of the section on withholding tax below, this summary does not address The Netherlands tax consequences for such a holder:

- (a) having a substantial interest (*aanmerkelijk belang*) in the Issuer (such a substantial interest is generally present if an equity stake of at least 5%, or a right to acquire such a stake, is (or has been) held (directly or indirectly), in each case by reference to the Issuer's total issued share capital, or the issued capital of a certain class of shares);
- (b) who is a private individual and who may be taxed in box 1 for the purposes of Netherlands income tax (*inkomstenbelasting*) as an entrepreneur (*ondernemer*) having an enterprise (*onderneming*) to which the Bonds are attributable, or who may otherwise be taxed in box 1 with respect to benefits derived from the Bonds;
- (c) which is a corporate entity and a taxpayer for the purposes of Netherlands corporate income tax (*vennootschapsbelasting*), having a participation (*deelneming*) in the Issuer (such a participation is generally present in the case of an interest of at least 5% of the Issuer's nominal paid-in capital);
- (d) which is a corporate entity and an exempt investment institution (*vrijgestelde beleggingsinstelling*) or investment institution (*beleggingsinstelling*) for the purposes of Netherlands corporate income tax, a pension fund, or otherwise not a taxpayer or exempt for tax purposes; or
- (e) which is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of the Bonds and/or the benefits derived from the Bonds.

##### Withholding tax

All payments made by the Issuer under the Bonds may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

## Income tax

Resident holders: A holder of the Bonds who is a private individual and a resident, or treated as being a resident of The Netherlands for the purposes of Netherlands income tax, must record the Bonds as assets that are held in box 3. Taxable income with regard to the Bonds is then determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return is fixed at a rate of 4% of the holder's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the yield basis exceeds a certain threshold (*heffingsvrij vermogen*). Such yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Bonds, less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of the Bonds will be included as an asset in the holder's yield basis. The deemed return on income from savings and investments is taxed at a rate of 30%.

Non-resident holders: A holder of the Bonds who is a private individual and neither a resident, nor treated as being a resident of The Netherlands for the purposes of Netherlands income tax, will not be subject to such tax in respect of benefits derived from the Bonds.

## Corporate income tax

Resident holders: A holder of the Bonds which is a corporate entity and for the purposes of Netherlands corporate income tax a resident, or treated as being a resident, of The Netherlands, is taxed in respect of benefits derived from the Bonds at rates of up to 25%.

Non-resident holders: A holder of the Bonds which is a corporate entity and for the purposes of Netherlands corporate income tax, is neither a resident, nor treated as being a resident, of The Netherlands, will not be subject to corporate income tax, unless such holder has an interest in an enterprise which, in whole or in part, is effectively managed in The Netherlands, or if it carries on an enterprise through a permanent establishment, a deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise the Instruments are attributable. If a non-resident holder is subject to Netherlands corporate income tax, it will be taxed in respect of benefits derived from the Bonds at rates of up to 25%.

## Gift and inheritance tax

Resident holders: Netherlands gift tax or inheritance tax (*schenk- of erfbelasting*) will arise in respect of an acquisition (or deemed acquisition) of Bonds by way of a gift by, or on the death of, a holder of Bonds who is a resident, or treated as being a resident, of The Netherlands for the purposes of Netherlands gift and inheritance tax.

Non-resident holders: No Netherlands gift tax or inheritance tax will arise in respect of an acquisition (or deemed acquisition) of Bonds by way of a gift by, or on the death of, a holder of Bonds who is neither a resident, nor treated as being a resident, of The Netherlands for the purposes of Netherlands gift and inheritance tax.

## Other taxes

No Dutch turnover tax (*omzetbelasting*) will arise in respect of any payment of interest or principal under the Bonds, with respect to any cash settlement of Bonds or with respect to the delivery of Bonds.

Furthermore, no Dutch registration tax, capital tax, transfer tax or stamp duty (nor any other similar tax or duty) will be payable in connection with the issue or acquisition of the Bonds.

## Residency

A holder will not become a resident, or a deemed resident of The Netherlands for Dutch tax purposes by reason only of holding the Bonds.

## EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria and Luxembourg instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. A number of third countries and territories including Switzerland have adopted similar measures to the EU Directive.

### ***Japanese taxation***

*No amendment.*

## **(2) Risk factors**

### **GENERAL RISK FACTORS**

*The following is inserted at the bottom of the paragraph entitled "Tax risk".*

#### **U.S. FATCA withholding after 31 December 2016**

In certain circumstances the Issuer and certain other entities through which payments on the Bonds are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of the Bonds that are treated as debt for U.S. federal tax purposes and are issued or materially modified after 31 December 2012 pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code and the proposed regulations and other guidance promulgated thereunder ("FATCA").

Under FATCA, non-U.S. financial institutions generally will be required to enter into agreements with the U.S. Internal Revenue Service (the "IRS") to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA regime in order to avoid being subject to a 30% withholding tax under FATCA on certain U.S.-source and foreign-source payments they receive. For these purposes, the term financial institution includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. The Issuer is a financial institution for these purposes and intends to participate in the FATCA regime. ~~If~~ a participating financial institution makes a relevant payment to an accountholder that has not provided information requested to establish the accountholder is exempt from reporting under the rules, or if the recipient of the payment is a non-participating financial institution (that is not otherwise exempt), the payor may be required to withhold 30% on a portion of the payment. It is not clear whether payments of interest, principal and dividends paid by a participating financial institution such as the Issuer on its own securities would be subject to this 30% withholding. The IRS is considering the treatment of these so-called "passthru payments" and it is not clear how this rule will ultimately apply to the Issuers or the Instruments issued by them.

Based on proposed regulations, FATCA generally will not apply to Bonds that are (i) not classified as equity securities for U.S. federal income tax purposes and (ii) issued before 1 January 2013 and not materially modified after that date. The withholding obligation in respect of a non-participating financial institution may apply whether the financial institution is receiving payments for its own account or on behalf of another person. If the Issuer or one of their respective agents were required to withhold any amount from any payment on the Bonds in respect of FATCA, there will be no

"gross up" (or any other additional amount) payable by way of compensation to the investor for the withheld amount. A beneficial owner that is not a financial institution may be entitled to a refund of amounts withheld pursuant to the FATCA rules, though the investor would have to file a U.S. tax return to claim this refund and would not be entitled to interest from the IRS for the period prior to the refund; a beneficial owner that is a financial institution would only be able to obtain such a refund to the extent it was able to claim the benefits of an income tax treaty with the United States.

FATCA is particularly complex and its application to the Issuer or the Bonds issued by it is uncertain at this time. Each holder of Instruments should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in its specific circumstance, in particular if it may be, or hold its interest through an entity that is, classified as a financial institution under FATCA.

#### **U.S. withholding on Dividend Equivalent Payments**

Pursuant to U.S. legislation enacted in 2010 and proposed and temporary resolutions which are not yet effective, payments on certain Bonds that are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity (a "Dividend Equivalent Payment") may be subject to a 30% U.S. withholding tax when made to a beneficial owner that is not: (i) a citizen or individual resident of the United States, as defined in Section 7701(b) of the U.S. Internal Revenue Code, (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any State thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person, (a "Non-U.S. Holder"). The imposition of this U.S. withholding tax would reduce the amounts received by Non-U.S. Holders. None of the Issuer or any other person will pay any additional amounts to the Non-U.S. Holders in respect of any such U.S. withholding. If a Non-U.S. Holder becomes subject to this withholding tax, it is unclear whether the Non-U.S. Holder will be able to claim any exemptions under its applicable double tax treaty. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is not entirely clear and subject to change.

## **PART II. CORPORATE INFORMATION**

### **I OUTLINE OF COMPANY**

*The corresponding section in the Program Information dated 30 March 2012 shall be entirely replaced with the following.*

#### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, which have previously been published or are published simultaneously with this document, shall be deemed to be incorporated in, and to form part of, this 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 2009, 2010 and 2011, including the audited financial statements and auditors' reports in respect of such years;
- (c) pages 13 to 27 (inclusive) of the unaudited ING Group 2012 quarterly report for the first quarter of 2012, as published by ING Groep N.V. ("ING Group") on 9 May 2012 (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 2012, 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; and
- (d) the press release published by ING on 11 May 2012 entitled "ING reaction to announcement of European Commission".

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this 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 document.

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

*Note: ING Group publishes its unaudited quarterly financial report following the end of each quarterly financial period (i.e. the end of March, June, September and December each year). Those pages of ING Group's quarterly reports incorporated in this document by reference as stated above show information on recent developments in the banking business of ING Group, which is conducted substantially through ING Bank N.V. and its consolidated group, during the relevant quarterly financial period. ING Group's unaudited quarterly financial reports have been prepared in accordance with ING Group's usual accounting policies and procedures.*

## RISK FACTORS

Set out below are risk factors which could affect the future financial performance of the Issuer and its subsidiaries ("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 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", "Turbulence and volatility in the financial markets have adversely affected ING Bank, and may continue to do so" and "Market conditions observed over the last year 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:

- the unlocking of deferred acquisition costs impacting earnings; and/or
- reserve inadequacies which could ultimately be realised through profit and loss and shareholders' equity; and/or
- the write down of tax assets impacting net results; and/or
- impairment expenses related to goodwill and other intangible assets, impacting net results; and/or
- movements in Risk Weighted Assets for the determination of required capital.

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 "Turbulence and volatility in the financial markets have adversely affected ING Bank, and may continue to do so" 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. In some cases, market developments have resulted in restrictions on the availability of liquidity and credit capacity for certain issuers.

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. 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 liquidity 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 external funding sources might not be available, or available at unfavourable terms.

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. This could force ING Bank to (1) delay raising capital, (2) reduce, cancel or postpone interest payments on its securities, (3) issue capital of different types or under different terms than ING Bank would otherwise, or (4) incur a higher cost of capital than in a more stable market environment. This 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.

In the course of 2008 and 2009, governments around the world, including the Dutch government, implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases, governments nationalised companies or parts thereof. The measures adopted in The Netherlands 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 (the "Restructuring Plan"). 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", "Risks Related to the Restructuring Plan - The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of ING and involve significant costs and uncertainties that could materially impact ING". 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 Bank or ING (as defined in the section "Description of ING Bank N.V. – General") 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, some of which have proposed regulatory changes 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 this 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 declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect ING Bank and its contract counterparties. Concerns about the credit-worthiness of a sovereign or financial institution (or a default by any such entity) could lead to significant liquidity and/or solvency problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a sovereign or a counterparty may lead to market-wide liquidity problems and losses or defaults by 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 each of 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, 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 US and elsewhere continue to scrutinise the financial services industry and its activities 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 current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where 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).

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.

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, subject to multiple interpretation or under development or may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or ING Bank fails 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 suspension or revocation of its licences, 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 addition, the Basel Committee on Banking Supervision has 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 calls for stricter definitions 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 securitization activities to be introduced at the end of 2011 as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board ("FSB") are currently considering measures that may have the effect of requiring higher loss-absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for "systemically important financial institutions" (SIFIs) and so-called "Global" SIFIs (G-SIFI), in addition to the Basel III requirements otherwise applicable to most financial institutions. ING has been designated as a G-SIFI.

For European banks, these requirements will be implemented through the Capital Requirement Directive (CRD) IV, which might deviate in its final state from the original Basel III requirements. While the full impact of the new Basel III rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to ING Bank, will depend on how they are implemented by national regulators, including the extent to which 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 can have a material impact on its operations and financial condition and may require ING Bank to seek additional capital. Further, the International Accounting Standards Board ("IASB") is considering changes to several IFRS standards, which changes could also have a material impact on ING Bank's reported results and financial condition.

#### *Dodd-Frank Act*

Furthermore, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank" or the "Dodd-Frank Act") has imposed comprehensive changes to the regulation of financial services in the United States and has implications for non-US financial institutions with a US 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 has begun, 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 any certainty how Dodd-Frank and such regulations will affect the financial markets generally, impact ING Bank's business, credit or financial strength 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 newly established risk regulator - the Financial Stability Oversight Council (the "FSOC") - may designate ING Bank as a 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 Bank would become subject to the oversight of the Federal Reserve. If ING Bank becomes subject to the examination, enforcement and supervisory authority of the Federal Reserve, the Federal Reserve would have authority to impose capital requirements on ING Bank. ING Bank cannot predict what capital regulations the Federal Reserve will promulgate under these authorisations, either generally or as applicable to organisations with ING Bank's operations, nor can management predict how the Federal Reserve will exercise potential general supervisory authority over ING Bank as to its business practices or those of its subsidiaries. If designated as systemically important by the FSOC, ING Bank would become subject to unspecified 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 Bank may become subject to stress tests to be promulgated by the Federal Reserve in consultation with the newly created Federal Insurance Office (discussed below) to determine whether, on a consolidated basis, ING Bank 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 Bank to alter its business practices or affect the perceptions of regulators, rating agencies, customers, counterparties or investors about ING Bank's financial strength.

- Title II of Dodd-Frank provides that a financial company may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the Federal Deposit Insurance Corporation as receiver, upon a determination that the company is in default or in danger of default and presents a systemic risk to US financial stability. ING Bank cannot predict how ratings agencies or its creditors will evaluate this potential risk or whether it will impact its financing or hedging costs.
- Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter (OTC) 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 Commodity Futures Trading Commission ("CFTC") (and in regulations that may be adopted by the SEC) could substantially increase the cost of hedging and related operations, affect the profitability of ING Bank's products or its attractiveness to its customers, or cause ING Bank to alter its hedging strategy or change the composition of risks it does not hedge.
- Dodd-Frank establishes the Bureau of Consumer Financial Protection ("BCFP") as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The BCFP 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 BCFP 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 BCFP'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 authorize 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 US broker-dealers to increased risk of SEC enforcement actions and liability. The SEC staff released a study on this issue.

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 US federal tax legislation passed in 2010, a 30% withholding tax will be imposed on "withholdable payments" made to non-US financial institutions (including non-US investment funds and certain other non-US financial entities) that fail (or that have 50% affiliates which are also non-US financial institutions that fail) to provide certain information regarding their US accountholders and/or certain US investors (such US accountholders and US investors, "US accountholders") to the US Internal Revenue Service (the "IRS"). For non-US financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a US person or would otherwise be entitled to an exemption from US federal withholding tax. "Withholdable payments" generally include, among other items, payments of US-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce US-source interest and dividends. The IRS has issued guidance stating that this withholding tax is expected to take effect on a "phased" schedule, starting in January 2014.

In general, non-publicly traded debt and equity interests in investment vehicles will be treated as "accounts" and subject to these reporting requirements. In addition, the IRS has stated that certain insurance policies and annuities may be considered accounts for these purposes.

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 this legislation. 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 this legislation (including entering into agreements with the US tax authorities as may be required), in accordance with the timeframe set by the US 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 prohibiting withholding on certain payments to accountholders, policyholders, annuitants or other investors, or as a result of the failure of accountholders, policyholders, annuitants or other investors to provide requested information), certain payments to ING Bank may be subject to US withholding tax under this legislation. The possibility of such withholding tax and the need for accountholders, policyholders, annuitants and investors to provide certain information may adversely affect the sales of certain of ING Bank's products. In addition, entering into agreements with the IRS and compliance with the terms of such agreements and with this legislation and any regulations or other guidance promulgated thereunder may substantially increase ING Bank's compliance costs. Because regulatory guidance implementing this legislation remains under development, the future impact of this law on ING Bank is uncertain.

#### *Dutch Intervention Act and EU Bank Proposals*

In October 2011 the Ministry of Finance submitted a bill to the Dutch Parliament called the "Intervention Act". The Intervention Act would amend the Dutch Financial Supervision Act and the Dutch Insolvency Act and set out what actions can be taken by Dutch authorities 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. The proposal provides for two categories of measures. The first category includes measures related to the timely and efficient liquidation of failing banks and insurers and would give the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "DNB") the power to transfer customer deposits, assets and/or liabilities other than deposits and shares of an entity to third parties or to a bridge bank. The DNB would also be granted the power to influence the internal decision-making of failing institutions. The second category includes measures intended to safeguard the stability of the financial system as a whole and grants special powers to the Minister of Finance, including the power to take ownership of failing financial institutions. The Intervention Act also includes proposals to limit the ability of counterparties to exercise their rights after any of the measures mentioned above has been put into place. On 14 February 2012, the Intervention Act was adopted by the House of Representatives (*Tweede Kamer*) of the Dutch Parliament. The Intervention Act has been introduced to the Senate (*Eerste Kamer*) of the Dutch Parliament but has not yet been approved

by it as of the date hereof. If approved, the Intervention Act is expected to enter into force before the end of 2012. The European Commission also has launched a number of proposals for a comprehensive framework for dealing with failing banks (the "**EU Bank Proposals**"). The measures contemplated under the EU Bank Proposals are similar to the measures contemplated under the Intervention Act. In addition, the EU Bank Proposals introduce powers for regulators to write down debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring. It is at this stage uncertain if any of the EU Bank Proposals will be adopted and, if so, when and in what form. ING Bank is unable to predict what effects, if any, the Intervention Act (if passed) or the EU Bank Proposals (if adopted) may have on the financial system generally, on ING Bank's counterparties, or on ING Bank, its operations or its financial position.

#### *The Financial Stability Board*

In addition to the adoption of the laws, regulations and other measures described above, 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 Financial Stability Board ("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, including proposals governing executive compensation by the financial regulators in The Netherlands (DNB), Germany (BaFin) and the United Kingdom (FSA).

#### *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 that plan 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 contain tax attribute limitation rules, the general purpose of which is to prevent trafficking in tax losses and credits (i.e. they are anti-abuse rules), but which can apply without regard to whether a "loss trafficking" transaction occurs or is intended. These rules are triggered when an "ownership change" (as specially defined for U.S. federal income tax purposes) occurs. As of 31 December 2011, 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 28 September 2011, the European Commission published a proposal for a financial transaction tax that would be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the European Union. If not adopted by the European Union as a whole, such a tax might nonetheless be adopted by one or more European Union member states (as has recently been proposed in The Netherlands and approved in France by the French Parliament on certain financial instruments). As proposed, this tax could require ING Bank to pay a tax on transactions in financial instruments with parties (including, with respect to the EU-wide proposal, its affiliates) located in the European Union. The Ministry of Finance in The Netherlands has put forward a proposal to introduce a banking tax in The Netherlands. That proposal, if approved by the Dutch Parliament, will likely result 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.

***Turbulence and volatility in the financial markets have adversely affected ING Bank, and may continue to do so.***

#### *General*

ING Bank's results of operations are materially impacted by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the European sovereign debt crisis, unemployment, the availability and cost of credit, the level of U.S. national debt and the U.S. mortgage market, inflation levels, energy costs and geopolitical issues all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

While certain of such conditions have improved since 2009, these conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities ("ABS") and other structured products have significantly deteriorated. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the United States, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where 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 decreased liquidity, increased price volatility, credit downgrade events and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers 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 an increase of lapses or surrenders of policies and 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.

As a result of the ongoing and unprecedented volatility in the global financial markets since 2007, ING Bank has incurred substantial negative revaluations and impairments on its investment portfolio, which have impacted its shareholders' equity and earnings. During 2009, 2010 and 2011, the revaluation reserve position improved substantially, positively impacting shareholders' equity.

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 US) and private equity, exposures to European sovereign debt and to US 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, on 5 August 2011, Standard & Poor's Ratings Group, Inc. lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. Although other ratings agencies have not similarly lowered the long-term sovereign credit rating of the United States of America, they have put that credit rating on review. 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. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. Despite the creation of a joint EU-IMF European Financial Stability Facility in May 2010, assistance packages to Greece, Ireland and Portugal, and announced plans in the summer of 2011 to expand

financial assistance to Greece, uncertainty over the outcome of the EU governments' financial support programmes and worries about sovereign finances persisted and, notwithstanding increased purchases of sovereign bonds by the European Central Bank and measures taken by other central banks to enhance global liquidity, ultimately spread from "peripheral" to "core" European Union member states in the fall of 2011. Market concerns over the direct and indirect exposure of European banks and insurers to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long-term fiscal responsibility on the part of the individual member states and bolster market confidence in the Euro and European sovereign debt; 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.

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. 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) are 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.

During the week of 5 December 2011, Standard & Poor's Ratings Group, Inc., citing ongoing political and economic uncertainties related to the European sovereign debt crisis, placed the credit ratings of the European Union, its member states included in the Eurozone (other than Cyprus and Greece) and several European banks on "credit watch negative", indicating that Standard & Poor's Ratings Group, Inc. might

reduce the credit ratings of one or more such entities in the near term. 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). Further related downgrades of European sovereign ratings and of corporate ratings have occurred since that date, including the downgrade of Greece's sovereign credit rating to "selective default" by 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). 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 relative service levels, the prices and attributes of products and services, and actions taken by competitors. If ING Bank is not able to match or compete with the products and services offered by ING Bank's competitors, it 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, Canada 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. 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".

***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, etc., 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 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 to 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 currently experienced. 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 last year 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 at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of 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; and
- lower profitability since ING Bank may not be able to fully track the decline in interest rates in its savings rate.

***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 the Dutch Central Bank, 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. Going forward, 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 pays yearly contributions to ensure the scheme holds a target level of fund regardless of whether any failures occur. The costs associated with potential future yearly contributions are today unknown, but given ING Bank's size may be significant.

### **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 rate, equity markets and credit spread changes. 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 credit-worthiness 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. In addition, hedging strategies involve transaction costs and other costs. ING Bank's hedging strategies and the derivatives that ING Bank 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 European Commission and governments throughout Europe to the financial crisis in 2008, there have been various legislative initiatives, including those set out in Directive 2010/76/EU (CRD III), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority (EBA) and the Regulation of the Dutch Central Bank on Sound Remuneration

Policies (*Regeling beheerst beloningsbeleid Wft 2011*) and the Dutch legislative proposal to prohibit the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid in the future, 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. These restrictions have had and will have an impact on existing ING Bank's remuneration policies and individual remuneration packages of personnel.

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

***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.***

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 or other information that is publicly known or otherwise available to ING Bank. Such information may not always be correct, updated or correctly evaluated.

***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, communication and marketing aims to present a balanced view of the product (however there is a focus on potential advantages for the customers). 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, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and/or regulatory changes resulting from such issues could have a material adverse effect on 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. Downgrades could have an adverse impact on its operations and net results.***

ING Bank has credit ratings from Standard & Poor's, Moody's and Fitch. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on net results. Certain institutional investors may also be obliged to withdraw their deposits from ING Bank following a downgrade, which could have an adverse effect on its liquidity.

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.

***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. 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 be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of ING Bank's computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks 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 or are circumvented. Furthermore, 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, the payment of insurance and pension benefits to employees and the loss of key personnel. If ING Bank's business continuity plans are not able to be implemented or do not 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, 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 reputation harm, lead to increased regulatory supervision, affect ING Bank's ability to attract and retain customers, maintain access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on ING Bank in ways that are not predictable.

### **Risks Related to the Restructuring Plan**

***The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of 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. As a result of having received state aid through the Dutch State Transactions, ING was required to submit a restructuring plan (the "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, pursuant to which ING is 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 operates 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 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 Restructuring Plan. On 2 March 2012, the General Court partially annulled the Commission's decision of 18 November 2009 and as a result a new decision must be issued by the Commission. Interested parties can file an appeal against the General Court's judgment before the Court of Justice of the European Union within two months and ten days after the date of the General Court's judgment.

In connection with the Restructuring Plan, ING was required to agree to not be a price leader in certain EU markets with respect to certain retail, private and direct banking products and to refrain from (i) acquisitions of financial institutions and (ii) acquisitions of other businesses if this would delay ING's repurchase of the remaining Core Tier 1 Securities. Those limitations may last until at least 18 November 2012 and could adversely affect its 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 both the plan's 2013 deadline and expected challenging market conditions in which 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 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 Restructuring Plan, several of ING's subsidiaries have been 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. Downgrades could have an adverse impact on its operations and net results".

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 Restructuring Plan within the timelines set out therein, the EC may request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.

The implementation of the divestments announced in connection with the Restructuring Plan, including the separation of the insurance and most of the investment management operations from the banking operations, will also give rise to additional costs related to the legal and financial assessment of potential transactions. The implementation may also result in increased operating and administrative costs. The process of completing the steps contemplated by the Restructuring Plan may be disruptive to 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 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 2012, and (2) the date upon which ING repays all remaining Core Tier 1 Securities held by the Dutch State. ING was also required to agree to limitations on its ability to call Tier-2

capital and Tier 1 hybrid debt instruments. 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, result in additional payments on these instruments and limit ING's ability to seek refinancing on more favourable terms. 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 PROGRAMS MAY NOT YIELD INTENDED REDUCTIONS IN COSTS, RISK AND LEVERAGE.***

On 26 October 2009, ING announced that it had reached an agreement with the EC on the Restructuring Plan. Projected cost savings and impact on ING's risk profile and capital associated with these initiatives 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 "The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan 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.***

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 Dutch State's nominees on the Supervisory Board. 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. In connection with these transactions, the Dutch State was granted the right to nominate two candidates for appointment to the Supervisory Board.

The Dutch State's nominees have veto rights over certain material transactions. ING's agreements with the Dutch State have also led to certain restrictions imposed by the EC as part of the Restructuring Plan, including with respect to 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, the European Commission may consider the imposition of additional behavioural constraints.***

As stated in the decision of the European Commission of 12 November 2008 (in State aid N 528/2008 – The Netherlands), the core Tier 1 state-aid measure must be (re)notified to the European Commission by the Dutch authorities if the overall return on the Core Tier 1 Securities of at least 10% per annum is not expected to be achieved. Such (re)notification by the Dutch authorities is particularly required if (i) ING abstains from paying dividends on its shares for a period of two consecutive years or for three years in the five years following the date of the aforementioned decision or (ii) after a transition period of one year following the date of the aforementioned decision, the share price over a period of two consecutive years remains on average below EUR 13. In such cases, the European Commission may require additional (behavioural) constraints as a condition of the compatibility of the measure.

In 2011, ING reported to the Dutch authorities that ING had abstained from paying dividends on its shares for a period of two consecutive years (i.e. 2009 and 2010). ING (publicly) indicated in 2011 that, provided that the strong capital generation continues, it intends to repurchase the remaining EUR 3 billion Core Tier 1 Securities from retained earnings ultimately by May 2012 on terms that are acceptable to all stakeholders. In this context, ING also indicated that this repurchase is conditional upon there having been no material changes regarding ING's capital requirements and/or (ING's outlook on) external market circumstances. Any repayment of the remaining Core Tier 1 Securities is furthermore conditional on approval from the DNB.

In early 2012, ING indicated that it aims to repay the remaining Core Tier 1 Securities as soon as possible - ideally a portion will be repaid in 2012 - but that, given the ongoing crisis in the Eurozone and increasing regulatory capital requirements, it needs to take a cautious approach and pay special attention to liquidity, funding and capital. Against this background, ING is discussing the (terms and timing of the) repayment of the remaining EUR 3 billion Core Tier 1 Securities with the Dutch authorities and the European Commission.

Any of the fact that ING has not paid a dividend for (at least) two consecutive years, the status and outcome of discussions with the Dutch State and the European Commission on the terms of the repayment of the Core Tier 1 Securities and/or a change in ING's repayment schedule due to market circumstances, increased capital requirements and/or other relevant factors could result in the European Commission imposing additional (behavioural) constraints on ING as a condition of the compatibility of the measure of and/or requiring a higher minimum overall return on the Core Tier 1 Securities than 10% per annum.

## **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 97,000 people worldwide. ING Group holds all shares of ING Bank N.V., which is a non-listed 100% subsidiary of ING Group. On 26 October 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. On the same date, ING announced that all insurance operations (including investment management operations) would be divested over the following four 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: Retail Banking and Commercial Banking. Under this structure, ING Direct is included within Retail Banking. This reporting structure has been applied in respect of the years ended 31 December 2011 and 2010, and 2009 was restated to provide comparable information.

ING Bank is a large international player with an extensive global network in over 40 countries. It has leading banking positions in its home markets of The Netherlands, Belgium, Luxembourg, Germany and Poland. Furthermore, ING Bank has key positions in other Western, Central and Eastern European countries and Turkey. This is coupled with options outside Europe which will give ING Bank interesting growth potential in the long term. Since 1 January 2011, ING Bank has been operating as a stand-alone business under the umbrella of ING Group.

With more than 70,000 employees, ING Bank is active through the following business lines: Retail Banking, including ING Direct, and Commercial Banking.

Retail Banking provides retail and private banking services to individuals and small and medium-sized enterprises in The Netherlands, Belgium, Luxembourg, Poland, Romania, Turkey, India, Thailand and China (through a stake in Bank of Beijing) with a multi-product, multi-channel distribution approach. In mature markets, Retail Banking focuses on wealth accumulation, savings and mortgages, with an emphasis on operational excellence, cost leadership and customer satisfaction. In developing markets, Retail Banking aims to become a prominent local player by offering simple but high-quality products. ING Direct offers direct banking services in Canada, Spain, Australia, France, Italy, Germany, the United Kingdom and Austria. ING completed its divestment of ING Direct USA on 17 February 2012. ING Direct's focus is on offering five simple and transparent retail banking products at very low cost: savings, mortgages, payment accounts, investment products and consumer lending.

Commercial Banking offers core banking services such as lending, payments and cash management in more than 40 countries. It provides clients with tailored solutions in areas including structured finance, financial markets, commercial finance, leasing, corporate finance and equity markets. Clients are corporations – ranging from medium-sized and large companies to major multinationals – as well as governments and financial institutions.

### **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 cooperation 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 Zuid-Oost, The Netherlands (telephone number: +31 20 564 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.

On 13 May 2009, ING announced that – in line with the April 2009 strategy announcement – it was taking measures to simplify its governance. These measures have been implemented. On 26 October 2009, ING announced that it would move towards a separation of its 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, Sjoerd van Keulen, Piet C. Klaver, Joost Ch.L. Kuiper, Aman Mehta, Luc A.C.P. Vandewalle and Lodewijk J. de Waal.
- Management Board Banking: Jan H.M. Hommen (chairman), J.V. (Koos) Timmermans (vice-chairman), Patrick G. Flynn (CFO), Wilfred F. Nagel (CRO), William L. Connelly, C.P.A.J. (Eli) Leenaars and Hans van der Noordaa.



The business address of all members of the Supervisory Board is: ING Bank N.V., Amstelveenseweg 500 (ING House), P.O. Box 810, 1000 AV Amsterdam, The Netherlands. The business address of the members of the Management Board Banking is: ING Bank N.V., Bijlmerplein 888 (Amsterdamse Poort), P.O. Box 810, 1000 AV 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.

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 Platform Bèatechniek, The Netherlands.

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

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

**Elverding, P.A.F.W.**

Chairman of the Supervisory Board of Océ N.V., The Netherlands.

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.

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

**Bahlmann, J.P.**

Chairman of the Dutch Media Authority (Commissariaat voor de Media), The Netherlands.

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 Maatschappelijk Verantwoord Ondernemen Nederland (CSR), The Netherlands.

Chairman of Stichting Max Havelaar, The Netherlands.

Member of the Board of De Baak, Management Centre VNO-NCW, 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.

Non-executive director of F&C Sapphire fund, Ireland.

Non-executive director of Brink Groep BV, The Netherlands.

Non-executive chairman of Heembouw Holding B.V., The Netherlands.

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

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

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

**Keulen, S. van**

Chairman of Holland Financial Centre, The Netherlands.

Member of the Supervisory Board of Heijmans N.V., The Netherlands.

Chairman of the Supervisory Board of Mediq N.V., The Netherlands.

Member of the Supervisory Board of APG Groep N.V., The Netherlands.

Member of the Supervisory Board of Vado Beheer B.V., The Netherlands.

Member of the Supervisory Committee of World Wildlife Fund.

Chairman of the Board of Investment Fund for Health in Africa.

Member of the Supervisory Board of Stichting PharmAccess International, The Netherlands.

Chairman of the Supervisory Board of Access to Medicine Foundation, The Netherlands.

Member of the Board of Stichting Health Insurance Fund, The Netherlands.

**Klaver, P.C.**

Chairman of the Supervisory Board of Post NL N.V., The Netherlands.

Chairman of the Supervisory Board of Koninklijke Dekker B.V., The Netherlands.

Chairman of the Supervisory Board of Credit Yard Group B.V., The Netherlands.

Chairman of the Supervisory Board of Dura Vermeer Groep N.V., The Netherlands.

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

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

Member of the Board of the African Parks Foundation, The Netherlands.

**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 Board of AutoBinck Holding N.V., The Netherlands.

Member of the Supervisory Board 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 Stichting Democratie en Media, The Netherlands.

Treasurer of Mondriaan Stichting, The Netherlands.

**Mehta, A.**

Non-executive director of Tata Consultancy Services.

Non-executive director of Jet Airways Ltd.

Non-executive director of PCCW Ltd.

Non-executive director of Vedanta Resources Plc.

Non-executive director of Wockhardt Ltd.

Non-executive director of Godrej Consumer Products Ltd.

Non-executive director of Cairn India Ltd.

Member of the governing board of Indian School of Business.

**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.

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.

**Waal, L.J. de**

Member of the Supervisory Board of PGGM N.V., The Netherlands.

Member of the Advisory Board of Zorgverzekeraars Nederland, The Netherlands.

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

Member of the National Contact Point (NCP) of the OECD, The Netherlands.

Chairman of the Supervisory Council of Museum Volkenkunde, The Netherlands.

Chairman of the Platform "Slim Werken, Slim Reizen", The Netherlands.

Member of the Toetsingscommissie Beloningen Woningcorporaties, The Netherlands.

## 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, Aman Mehta 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. <sup>(1)</sup>

	2011	2010	2009	2008	2007
			<i>(amounts in millions of euros)</i>		
<b>Balance sheet<sup>(2)</sup></b>					
Total assets.....	<b>961,165</b>	<b>933,073</b>	882,119	1,034,689	994,113
Total equity .....	<b>35,060</b>	<b>35,069</b>	31,217	24,121	27,195
Deposits and funds borrowed <sup>(3)</sup> .....	<b>682,523</b>	<b>717,222</b>	671,194	774,220	751,159
Loans and advances.....	<b>577,569</b>	<b>587,448</b>	551,774	598,328	526,323
<b>Results<sup>(4)</sup></b>					
Total income .....	<b>17,195</b>	<b>17,901</b>	13,665	12,177	14,592
Operating expenses.....	<b>10,226</b>	<b>10,167</b>	10,192	10,364	10,013
Additions to loan loss provisions .....	<b>1,670</b>	<b>1,751</b>	2,973	1,280	125
Result before tax .....	<b>5,299</b>	<b>5,983</b>	500	533	4,454
Taxation.....	<b>1,216</b>	<b>1,408</b>	(43)	(170)	753
Net result (before minority interests).....	<b>4,083</b>	<b>4,575</b>	543	703	3,701
Attributable to Shareholders of the parent .....	<b>4,005</b>	<b>4,495</b>	684	772	3,589
<b>Ratios (in %)</b>					
BIS ratio <sup>(5)</sup> .....	<b>14.26</b>	<b>15.30</b>	13.46	12.78	10.32
Tier-1 ratio <sup>(6)</sup> .....	<b>11.69</b>	<b>12.25</b>	10.23	9.32	7.39

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 2007 to 2011, 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 as of 2008.
- (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 as of 2008.

## **SHARE CAPITAL AND PREFERENCE SHARES**

The authorised share capital of ING Bank N.V. amounted to EUR 1,808 million at 31 December 2011, 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 7 preference shares at 31 December 2011.

## **SIGNIFICANT DEVELOPMENTS**

### **Important changes in regulation and supervision**

During 2011, important steps were taken in the European and international regulatory reform programmes that had been set up in the wake of the 2008/2009 financial crisis.

Reforms in the financial sector are of particular interest to ING as a cross-border financial institution with operations all over Europe and in other parts of the world. Although ING actively supports many of the new regulatory proposals and is implementing them to a large extent already, it has strong concerns that the ultimate and aggregated consequences of all reforms are still not fully clear. ING fears that there are too many uncoordinated additions to regulation; that there is too much focus on short-term measures and too little focus on how the financial sector can contribute to achieving sustainable economic growth. This has a number of potential effects which should be taken into serious consideration.

First, ING is concerned that too much regulation will unnecessarily restrict banking activities needed to support the economy and will make ING's services more expensive. Second, because of the aggregate impact of various new rules, a tendency may emerge in which risks that are normally taken by financial institutions are shifted to customers. Third, as many new rules are still in development, ING has concerns about the actual implementation. There is a clear tendency for national authorities to have different and fragmented approaches to implementation, which is reflected both in the speed of introduction of new measures and the content of measures. This applies to the new capital and liquidity standards in Basel III/CRD IV, where regulators in some countries are implementing ahead of the timeframes set by the Basel Committee or are setting additional requirements at the national level. It also holds for crisis management regulation (insolvency laws). While an EU framework is under discussion, several countries are considering or have already announced they will adopt their own specific measures. This is leading to a lot of uncertainty, not only for financial institutions, but also for equity investors and bond investors.

### **EBA stress test and capital exercise**

In July 2011, the European Banking Authority (EBA) published the results of the second round of stress tests. The first round was conducted in 2010 by the EBA's predecessor, the Committee of European Banking Supervisors (CEBS). The tests assessed the resilience of European banks to adverse market developments and tested their solvency levels under hypothetical stress events. The test in July 2011 again confirmed the strong capital position of ING Bank which makes ING Bank better equipped to absorb adverse shocks.

ING Bank announced on 27 October 2011 that, based on information of the European Banking Authority (EBA), it met the new capital target as announced on 26 October 2011. The EBA announced that European banks must meet a 9% threshold for their core Tier 1 ratio under the EBA definition, which includes valuing

sovereign bond holdings at market rates. In its EBA press release of 27 October 2011, the EBA indicated that ING Bank met this 9% core Tier 1 ratio threshold.

In addition to the EU-wide stress test in summer 2011, the EBA performed an additional capital exercise in December 2011. The objective of the capital exercise was to create an exceptional and temporary capital buffer to address current market concerns over sovereign risk and other residual credit risks related to the current difficult market environment. Following the completion of the capital exercise, which the EBA conducted in close cooperation with the Dutch Central Bank, it was determined that ING Bank met the 9% core Tier 1 ratio.

On 8 December 2011, ING announced that ING Bank met the EBA capital exercise with a core Tier 1 ratio of 9.2% after taking into account the forthcoming CRD3 RWA's for market risk (so called Basel 2.5) as well as sovereign debt at market prices based on September 2011 figures. Two divestments were not taken into account in the EBA capital exercise. The closing of the sale of ING Real Estate Investment Management in October 2011 and the announced sale of ING Direct USA, which would have further improved the core Tier I ratio by 100 basis points. Taking these divestments into consideration, the pro forma core Tier I ratio at 30 September 2011 in this capital exercise would have been 10.2%.

### **Additional measures for systemically important financial institutions**

In 2011, the Basel Committee issued a consultative document on Global Systemically Important Banks (G-SIBs) as part of a broader package of policy measures to address Systemically Important Financial Institutions (SIFIs). The Financial Stability Board (FSB) reviewed and approved the package and submitted it for approval to the G20 in November 2011. As ING has been earmarked as a Global Systemically Important Financial Institution (G-SIFI), ING could be subject to an additional capital surcharge. In November 2011, the Dutch Central Bank and the Dutch government announced additional capital buffers for domestic systemically relevant banks. Depending on the degree of systemic relevance, the additional requirement amounts to 1% to 3% of risk-weighted assets, and this includes the internationally agreed (FSB) buffer. The aim is to introduce the buffer gradually from 2016 to 2019, thereby allowing banks to generate capital from retained earnings.

Another important element of internationally agreed policy measures is the obligation for banks to set up recovery and resolution plans. In the recovery plans, which are drafted in close coordination with the main supervisor, banks have to draw up plans for the restoration of their financial situation in the event of a significant deterioration. An important element of these plans is risk-mitigating measures with respect to capital and liquidity. In addition, clear governance principles have to be established. ING is in the process of finalising its recovery plan, which it currently plans to update annually.

### **Dutch legislative measures**

In anticipation of related EU regulation, the Dutch authorities have announced a number of measures.

#### *Dutch intervention law*

A new draft legislative proposal on crisis management would, if enacted, grant new powers to the DNB and the Minister of Finance to intervene in situations where an institution faces financial difficulties or where there is a serious and immediate risk to the stability of the financial system caused by an institution in difficulty.

#### *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%. In the announcement, several ways of funding the reduction were identified, the introduction of a bank tax being one of them. The levy may enter into force in 2012. Dutch and non-Dutch entities with banking activities in The Netherlands will be included in its scope. The taxable base of the levy is the liability side of the (global consolidated) balance sheet with an exemption for equity, for deposits that

are covered by a Deposit Guarantee Scheme and for certain liabilities that relate to insurance business. The rate of short-term funding (less than one year) will be twice the rate of long-term funding (more than one year). Currently, total yearly tax proceeds of EUR 300 million are expected. ING believes the timing and motivation for such a tax to be less opportune given the economic climate and conditions in financial markets.

#### *Deposit Guarantee Scheme*

In August 2011, the Ministry of Finance and the DNB published their proposal to establish an ex-ante funded Deposit Guarantee Scheme in The Netherlands. As was announced at an earlier stage by the minister, the target level of the fund will be 1% of total guaranteed deposits in The Netherlands. This equals about EUR 4 billion, to be built up, in principle, within 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 0.025% per quarter of the 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.

#### *Executive compensation legislation*

Currently, a legislative proposal is under discussion in the Dutch Parliament relating to variable remuneration at financial institutions that have received state support for reasons of financial stability, such as ING. If and when entered into force, the legislation would prevent these financial institutions from granting variable remuneration (in cash or otherwise) to their Executive Board members. In addition, the legislation contains certain restrictions with respect to the possibility of increasing the fixed salary of Executive Board members.

#### **Alignment of remuneration policies with CRD III**

Since the start of the crisis in 2008, ING has been continually reviewing and amending its remuneration policies in response to the ongoing review of the financial system and related public debate, as well as in line with applicable regulatory developments. In 2010, the European Commission issued the Capital Requirements Directive III (CRD III), which contained specific requirements in relation to the remuneration of those who have a material impact on the company's risk profile, the so-called "Identified Staff". From 1 January 2011, the directive had to be implemented into national law.

In 2011, ING's remuneration policies for the Executive Board and Identified Staff were amended in line with the CRD III requirements. The amended policy for the Executive Board was adopted by the annual General Meeting in May 2011. ING's remuneration policies continue to have an increased focus on long-term value creation, risk and non-financial performance measures to improve sustainable business practices.

#### **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 also shall 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 sufficient buffer to offset the negative capital impact of the additional payments to be made for the Illiquid Assets Back-up Facility.

ING announced on 7 March 2011 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. This repayment of EUR 3 billion of capital support to the Dutch State was an important milestone in ING's efforts to do business successfully without the financial aid of the Dutch State. The total amount repaid on the Core Tier 1 Securities to the Dutch State by the end of 2011 was EUR 7 billion in principal, out of the total capital support provided of EUR 10 billion. Including interest and premium, the payments made to the Dutch State by the end of 2011 reached a total of EUR 9 billion.

ING remains committed to repaying the Dutch State as quickly as possible on terms acceptable to all stakeholders. Ideally, ING would like to complete the state repayment as soon as possible; however, 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 within ING Bank as it builds towards Basel III.

### **ING's appeal against the EC decision**

In January 2010, ING filed an appeal with the General Court of the European Union against specific elements of the European Commission's decision of 18 November 2009, which approved the state aid



received and ING's Restructuring Plan. ING requested the General Court to annul the decision of the European Commission insofar as:

- it states that the agreement between ING and the Dutch State concerning a reduction of the repayment premium for the first EUR 5 billion tranche of Core Tier 1 Securities leads to additional state aid of EUR 2 billion;
- the Commission has subjected the approval of the state aid to the acceptance of price leadership bans; and
- the Commission has subjected the approval of the state aid to restructuring requirements that go beyond what is proportionate.

The Dutch State joined ING in 2010 in its appeal with the General Court to contest the EC decision insofar as it qualifies the Core Tier 1 amendment as additional state aid. The Dutch Central Bank joined in the proceedings in support of ING's appeal. In July 2011, oral arguments of the appeal case were heard by the General Court. The ruling of the General Court was issued on 2 March 2012. ING welcomes the judgment to partially annul the EC decision. From 2 March 2012, ING has been in the process of carefully assessing the full judgment as well as its consequences. On 8 May 2012, the Commission announced that it will lodge an appeal against the Court's decision.

On 11 May 2012, the European Commission published a press release regarding ING's restructuring plan entitled "State aid: Commission approves ING's restructuring plan from 2009 anew and opens an in-depth investigation on later amendments to the plan". In its press release, the European Commission noted its decision to appeal against the ruling of the General Court of the European Union of 2 March 2012. In addition, the European Commission announced its decision to approve ING's state aid as compatible with the internal market on the basis of the restructuring plan submitted in 2009 and to investigate that restructuring plan in respect of the following three issues: (1) the re-notification by the Dutch State of its EUR 10 billion capital injection for a stated failure by ING to pay adequate remuneration to the Dutch State in 2010 and 2011 and the possibility for such remuneration to now be provided (2) how any distortion of competition in ING's home market in the absence of a divestment of Westland Utrecht Bank can be addressed and (3) the pricing behaviour of ING Direct in Italy and its sustainability in the absence of state aid. For ING's response to this announcement, see the press release published by ING on 11 May 2012 entitled "ING reaction to announcement of European Commission", which is incorporated by reference herein.

## **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 US 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. For the European insurance/investment management businesses, ING is continuing preparations for a stand-alone future, including the possibility of an IPO. ING is also continuing to prepare for the base case of an IPO for the US insurance/investment management businesses. ING is committed to conducting these processes with the utmost diligence in the interests of all stakeholders, including customers, employees, distribution partners and shareholders.

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; since

then, approximately 90% of the planned full separation projects have been completed. The full separation of ING Insurance US and ING Insurance Eurasia was well underway in 2011. Separation costs for 2011 were about EUR 200 million, well within the budgeted amount of EUR 250 million after tax. This reflects the cost-efficient way in which the separation has been handled. Only a small number of projects were carried over from 2011 to 2012 and are expected to be resolved in the first half of 2012. In addition, ING expects to finalise a couple of large longer-term IT projects during 2012.

## **DIVESTMENTS AND ACQUISITIONS**

### **Acquisitions effective in 2011**

There were no significant acquisitions in 2011.

### **Divestments effective in 2011**

In July 2011 ING announced the completion of the sale of Clarion Real Estate Securities (CRES) to CB Richard Ellis. The sale resulted in a net gain on divestment of EUR 182 million. CRES was previously included in the segment ING Real Estate, part of ING Bank.

In October 2011, ING announced that it had completed the sale of REIM's Asian and European operations to US-based CBRE Group Inc., thereby completing the divestment of ING REIM. The divestment of ING REIM has resulted in an after-tax gain on disposal of approximately EUR 245 million. As a result of the agreement at closing, ING continues to have certain contingent income and expenses; however, no significant impact on the result on divestment is expected. REIM's Asian and European operations were previously included in the segment ING Real Estate.

#### *Clarion Partners*

In June 2011 ING announced the completion of the sale of the private market real estate investment manager of its US operations, Clarion Partners, to Clarion Partners management in partnership with Lightyear Capital LLC for USD 100 million. The sale resulted in a net gain on divestment of EUR 39 million. Clarion Partners was previously included in the segment ING Real Estate.

#### *ING Car Lease*

In September 2011 ING completed the sale of ING Car Lease to BMW Group fleet management division Alphabet for total proceeds of EUR 696 million and a net transaction result of EUR 347 million. ING Car Lease was previously partly included in both the Commercial and Retail Banking segment.

### **Divestments occurred in 2012**

#### *ING Direct USA*

In June 2011, ING announced that it reached an agreement to sell ING Direct USA to Capital One Financial Corporation, a leading US-based financial holding company. In February 2012, ING announced that the transaction closed. Total proceeds of the transaction were approximately USD 9.0 billion (or approximately EUR 6.9 billion), including USD 6.3 billion in cash and USD 2.7 billion in the form of 54.0 million shares in Capital One, based on the share price of USD 49.29 at closing on 16 February 2012. These shares represented a 9.7% stake in Capital One at closing. The transaction resulted in a positive result after tax of approximately EUR 0.5 billion.

In 2011, ING Direct USA was still included in the segment ING Direct. Since the sale of ING Direct USA was completed on 17 February 2012, it will no longer be consolidated in 2012.

In connection with the divestment of ING Direct USA, ING also completed the adjustment of the agreement with the Dutch State concerning the structure of the Illiquid Assets Back-up Facility (IABF) which was also announced on 16 June 2011. The amendment serves to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State. The IABF is further amended to ensure a

continued alignment between ING and the State regarding exposure to the Alt-A portfolio. Only the part of the IABF covering ING Direct USA, currently approximately 85% of the total IABF portfolio, is adjusted in the amendment. The ING Insurance part of the IABF remains unaltered.

## **OTHER SIGNIFICANT DEVELOPMENTS**

On 10 November 2010, ING announced changes in the structure and composition of the Management Board Banking, in line with the further development of the bank and the intention for it to operate as a stand-alone entity as of 1 January 2011. As of 1 January 2011, William Connelly was appointed as CEO of Commercial Banking and member of the Management Board Banking, succeeding Eric Boyer de la Giroday. Since 1 January 2011, Eric Boyer de la Giroday solely concentrated on his role as vice-chairman of the Management Board Banking until his retirement as of 1 October 2011. The appointment of William Connelly was formally approved by the Dutch Central Bank and the applicable works councils.

ING announced on 6 January 2011 that Jackson Tai had resigned from the Supervisory Board of ING Group in order to avoid any conflicts of interests. This decision was taken in the context of the proposal by Bank of China to appoint Jackson Tai as one of its non-executive directors.

ING announced on 24 January 2011 that Godfried van der Lugt had resigned from the Supervisory Board of ING Group for personal reasons.

ING announced on 15 March 2011 that it would propose to the 2011 annual General Meeting (AGM) the appointment of three new members to the Supervisory Board: Sjoerd van Keulen (1946, Dutch), Joost Kuiper (1947, Dutch) and Luc Vandewalle (1944, Belgian). On 9 May, the AGM confirmed the appointment of the new members effective as of that date. The proposed appointments also have been approved by the Dutch Central Bank. In addition, Peter Elverding has decided to no longer act as chairman of the Supervisory Board. However, he will remain as member and vice-chairman of the Supervisory Board. As his successor, the Supervisory Board has appointed Jeroen van der Veer as the new chairman of the Supervisory Board. Claus Dieter Hoffmann has retired from the Supervisory Board.

On 27 May 2011, ING announced that Joan E. Spero had decided to resign from the Supervisory Board of ING Group in 1 June 2011.

On 4 August 2011, ING announced that it would appoint Koos Timmermans (Dutch, 1960) as vice-chairman of the Management Board Banking as of 1 October 2011. He stepped down from his roles as member of the Executive Board and chief risk officer of ING Group as of the same date. Eric Boyer de la Giroday, vice-chairman of the Management Board Banking, retired as of 1 October 2011. Koos Timmermans has been succeeded by Wilfred Nagel (Dutch, 1956) who was appointed chief risk officer and member of the Management Board Banking and Management Board Insurance as of 5 October 2011. The Supervisory Board also intends proposing to the annual General Meeting in May 2012 to appoint Wilfred Nagel as a member of the Executive Board and chief risk officer. On 27 September 2011, ING announced that it will propose to the 2012 annual General Meeting (AGM) to appoint Jan Holsboer as a member of the Supervisory Board. Upon a decision by the AGM, which will be held in May 2012, the appointment will be effective at that date.

On 3 November 2011, ING announced that Retail Banking Netherlands was taking steps to further reduce costs by decreasing expenses. The strategic programme will result in a workforce reduction of around 2,000 FTEs in 2012 and 2013, mostly in the mid- and back-offices and corporate staff. Additionally, external positions will be reduced by around 700 FTEs.

On 3 November 2011, ING announced that, as previously disclosed, ING Bank is in discussions with authorities in the US concerning transactions subject to sanctions by the US, including ING Bank's compliance with Office of Foreign Assets Control (OFAC) requirements.

On 12 December 2011, ING Group announced the launch of three separate exchange offers in Europe and tender offers in the United States, on a total of seven series of subordinated securities of ING entities with a total nominal value of approximately EUR 5.8 billion at current exchange rates. The exercise was intended as a one-time opportunity to proactively address uncertainty regarding future call options on these capital securities, which were subject to approval by the European Commission. On 21 December 2011, ING announced that the US tender offers and the institutional Euro and Sterling exchange offers were successfully completed with an average participation of 66% and a result in a capital gain after tax of approximately EUR 515 million, including related hedge results and estimated transaction costs. On 23 December 2011, ING announced that all tender and exchange offers announced on 12 December had been successfully completed with an average participation of 60%, resulting in a total capital gain after tax of approximately EUR 745 million, including related hedge results and estimated transaction costs. This amount included approximately EUR 515 million of capital gain after tax on the US tender offers and the institutional Euro and Sterling exchange offers that were announced on 21 December 2011.

On 13 January 2012, ING published an update of the bank strategy announced at the Investor Day: "Building the bank of the future", was the main theme for the ING Investor Day, during which Jan Hommen, CEO of ING Group, laid out the strategy of ING Bank for the coming years. Priorities for 2012 and 2013: ING will focus on repaying the Dutch State, completion of the EC Restructuring and fulfilment of Basel III requirements, while achieving a minimum core Tier 1 ratio of 10% at the end of this period. Long-term ambitions 2015: customer centricity, balance sheet optimisation and operational excellence should enable ING Bank to achieve a return of equity under Basel III rules of 10% to 13%. ING Bank: a strong European bank with potential to grow, without growing the balance sheet.

On 9 February 2012, ING announced that it will propose to the 2012 Annual General Meeting of 14 May 2012 the appointment of Yvonne van Rooy to the Supervisory Board. The appointment of Yvonne van Rooy will be effective as of 14 May 2012. Robert Reibestein's appointment will be effective as of 1 January 2013 to comply with the independence criteria of the Dutch Corporate Governance Code. The proposed appointments have been approved by the Dutch Central Bank (DNB).

On 9 May 2012 ING provided an update on regulatory measures and law enforcement agencies investigations. As previously disclosed, ING Bank is in discussions with US authorities, including the Office of Foreign Assets Control (OFAC), concerning transactions executed by Commercial Banking until 2007 which are subject to investigation. ING Bank is cooperating fully with the ongoing investigations and is engaged in discussions to resolve these matters with the US authorities. Those discussions recently have advanced to the point where it is appropriate for ING Bank to take a provision for a potential settlement. This had an impact on ING Bank's result after tax for the first quarter of 2012 of EUR 370 million, recorded as a special item. Pending ongoing discussions with US authorities concerning these matters, ING Bank is not in a position to provide further information at this time.

## **ING BANK STRATEGY**

2011 saw a marked deterioration in the debt and equity markets amid a slowdown of the macroeconomic environment and a deepening of the sovereign debt crisis in Europe. ING continued to take a prudent approach to risk, increasing hedging to preserve capital and selectively reducing exposure to southern Europe. In this challenging environment, ING's earnings remained resilient, and its strong funding position enabled it to continue to increase lending to support ING's customers in these uncertain times.

ING Bank was also able to make good progress on the strategic priorities (of ING Group), which are strengthening the financial position, restructuring, streamlining the portfolio, repayment of state aid and building stronger banking and insurance/investment management businesses. Apart from these measures, earning trust remained at the top of ING's strategic agenda. The past few years have made it clear that it is of crucial importance for financial institutions such as ING to rebuild the trust and confidence of all their

stakeholders, first and foremost those of their customers. ING believes that trust is and remains the most important licence to operate for every financial institution.

ING Bank has delivered on its priorities to strengthen its financial position, reduce risks, meet the restructuring requirements imposed by the European Commission and to build a stronger bank. ING Bank continued to make progress on meeting its Ambition 2013 targets, which are business improvement programme targets, mostly established in October 2009. These targets included boosting underlying income, lowering risk and overall costs, and lifting return on equity. Due to the changing market circumstances and new regulatory requirements as well as the fact that ING has realised to a large extent its Ambition 2013 goals, ING has set itself new performance targets as from 2012.

A key factor in developing the updated banking strategy which was presented in January 2012 has been the changing regulatory environment. In the short term, ING Bank's priorities are to generate capital and reach a core Tier 1 ratio of at least 10% by 2013 as measured by Basel III. With respect to Basel III, ING Bank's focus is also on the liquidity requirements to be met from 2013. After this transition period, ING Bank aims for moderate balance sheet growth in line with GDP growth and a strong focus on deposits generation. ING Bank wants to evolve ING Direct units into full banks and develop selected growth markets.

ING Bank's long-term ambition is to be a strong Northern European Bank with a low-risk balance sheet producing a competitive Return on (IFRS-EU) Equity of 10% to 13% through low costs and low risk. ING Bank believes it has a good starting position with 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. This is coupled with options outside of Europe which ING Bank believes will give it interesting growth potential in the long term. It has strong deposit-gathering capabilities and a strong funding mix. ING Bank believes it has a well-known brand and it uses the Net Promoter Score (NPS) methodology as a tool to increase customer centricity. ING Bank is used to operating in lean, competitive markets, which has made it a leader in innovative distribution. ING Bank believes it has a leading 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. Going forward, ING Bank intends to focus on restoring trust and customer centricity, operational excellence and optimising its balance sheet to meet its strategic goals.

### **Shaping the future of ING's banking business**

Looking ahead, ING Bank aims to continue to remain vigilant and focused on containing costs. This is all the more important as ING Bank operates in a fierce, competitive environment in difficult economic conditions and with increasing regulatory constraints.

ING Bank presented its banking strategy in January 2012. This strategy takes into account recent market, regulatory, consumer and technology trends.

In the short term, ING Bank's priorities are to manage through the crisis, limiting balance sheet and risk-weighted asset growth and executing on-balance sheet optimisation. ING Bank believes it has strong funding capabilities and attractive home market positions in Northern Europe.

ING Bank intends to invest in IT to improve service and work towards operational excellence. It will continue to simplify the business portfolio and the organisation, while taking a prudent approach to capital and funding in the current unstable market conditions.

With its retail models converging, ING Bank's ambition is to selectively evolve ING Direct into a full-service bank. ING Bank is well placed to capture growth opportunities in the high-growth markets of Central Europe and Asia. ING Bank believes that its experience in competitive markets has made it a leader in innovative distribution at low costs. This is expected to put it in a good position as ING Bank believes that customers want simple, transparent and fairly priced products.

For Commercial Banking, ING Bank aims to continue to build on its existing strengths, such as its leading positions in the Benelux and in Structured Finance and Financial Markets (source: Greenwich Associates), and its extensive international network in Central and Eastern Europe and beyond. ING Bank's intention is to sustain and further develop these pillars of its Commercial Banking franchise in order to support growth initiatives elsewhere.

### **Earning trust**

Building a stronger banking business is also about earning trust and increasing customer centricity in its banking business.

ING's approach in its banking business is built on sound business ethics and good corporate citizenship in order to ensure customer loyalty, employee engagement, and ultimately to deliver satisfactory returns for its shareholders. As part of this approach, ING has embedded social, ethical and environmental criteria into its financing and investment policies and business ambitions. ING aims to ensure that its strategic decision-making is always based on financial as well as nonfinancial performance objectives.

The customer is at the centre of all ING Bank's activities. ING Bank strives to meet its customers' expectations by providing the right products and services to the right customers, for the right reasons, at the right price and in the right way. ING Bank also consistently monitors market and regulatory developments, engages with customer representative groups and tests its products to ensure their suitability for customer needs.

With a clearer focus on customer needs as the anchor of its business operations, ING is not only building businesses that are not only financially sound and viable, but also have the potential to become the supplier of choice for its customers. To monitor progress on customer loyalty, ING introduced the NPS methodology in 2009 and fully implemented it throughout ING, including at ING Bank, in 2011. It is based on surveys sent to customers and gauges their feedback. NPS goes beyond being a measurement tool and is also used as a means of driving growth and changing local business culture. Customer feedback is used to improve ways of doing business. ING believes that customers, employees, shareholders and the rest of society no longer live in separate worlds that meet intermittently, but have become more integrated. This mutual interdependence of business and society means that organisations must follow the principle of shared value – the actions they take must benefit everyone. The financial crisis of 2008/2009 and its impact on ING made it necessary for ING to intensify the dialogue with, and rebuild trust among, all its stakeholders and society as a whole. Although this need is recognised internationally, it was, and in fact still is, especially urgent in ING's Dutch home market. Deepening relationships with all stakeholders has continued to be a key priority.

ING is convinced that the changes set in motion will make it a stronger company and partner for stakeholders, one that is better able to anticipate and address emerging issues. To underline the increasing importance of ethical, environmental and social considerations in ING's business strategy, the Sustainability department began to report directly to ING Group's chief executive officer from 1 July 2011.

### **Conclusions and ambitions**

In a challenging environment ING Bank's earnings remained resilient in 2011, and its strong funding position enabled ING Bank to continue to increase lending to support its customers in these uncertain times. ING Bank was also able to make good progress on its strategic priorities, which are strengthening the financial position, restructuring, streamlining the portfolio, repayment of state aid and building a stronger banking business. ING Bank continued to build its banking business based on sound business ethics and good corporate citizenship.

## **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 strategy and performance targets set by the Management Board Banking.

## **RETAIL BANKING**

Retail Banking provides retail and direct banking services to individuals, and to small- and medium-sized businesses in The Netherlands, Belgium, Luxembourg, Poland, Romania, Turkey, India, Thailand and China (through a stake in Bank of Beijing). 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 but quality products.

### *The Netherlands*

ING Bank in the Netherlands services over 8.9 million retail clients and approximately 600,000 business customers. The bank has improved customer service by combining the direct banking model of Postbank with the professional advice capabilities of ING Bank.

ING Bank Netherlands operates through a branch network of over 280 branches. It offers a full range of commercial banking activities and also life and non-life insurance products. It also sells mortgages through the intermediary channel via more than 400 agents.

Retail Netherlands' strategy is linked to ING Bank's overall strategy to build a leading retail and commercial bank. Its ambition is to be the customer's preferred bank, something that will be realised through operational excellence, customer centricity and becoming a top employer.

The aim is to create long-term value for all stakeholder groups: customers, employees, business relations and suppliers, society at large and shareholders. The Dutch businesses continue to focus strongly on customer suitability. The Customer Suitability programme, launched in 2010, emphasises the importance of transparency, easy-to-understand products and services, and providing the right products and services to fit customers' needs at every stage of their relationship with ING Bank.

As part of the 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.

### *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, 733 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, vendors).

### *ING Direct*

ING Direct offers a range of easy-to-understand financial products – savings, mortgages, retail investment products, payment accounts and consumer lending products – primarily through direct channels. Its business model is based on low cost, simplicity, transparency and offering a superior customer service. ING Direct believes it has leading market positions in most markets in which it operates – Canada, Spain, Australia, France, Italy, Germany, Austria and the United Kingdom.

Following the sale of ING Direct USA, ING Direct has approximately 16.7 million customers worldwide. ING Direct continues to work towards becoming a complete retail bank, but one which continues to maintain a different approach from its competitors. ING Direct believes it remained at the cutting edge of internet and mobile banking in 2011, while broadening its product base to achieve greater income diversification. It took further initiatives to optimise its distribution mix, introduced more branches and invested more in cross-buying. In some countries, ING Direct plans to move towards a full bank model. Implementation of this model began in 2011 with the integration of the commercial banking business in Germany with ING-DiBa, the direct retail banking business in Germany. The creation of One Bank in Germany optimised the banking businesses and their customer services by making more efficient use of capital and liquidity. ING-DiBa in Germany has been very successful in growing its business in Europe's largest market and the integration is designed to take advantage of further opportunities in this large and attractive market.

In Spain, ING Direct is already well known for its direct banking operations, but, to broaden its reach and to establish closer contact with customers, it opened 21 branches in 2011, including a flagship branch in Barcelona, bringing the total number of branches to 27 at the end of 2011, which includes four ING Direct cafes.

In Italy, ING Direct opened its first bank branch in September 2011 and by the end of the year opened a further six branches.

ING Direct France launched an initiative in 2011, allowing customers to open savings accounts through a 100% online process – responding to consumer wishes and enhancing efficiency. ING Direct Canada was awarded "Best Mid-Sized Contact Center" by Contact Center World North America.

In Australia, ING Direct's "Simply Orange" quality programme resulted in process improvement tools for all employees. Ideas for improvements came from customer "front-line" workers.

ING Direct continues to search for ways it can best meet customers' needs. It encourages customer feedback and uses it to update and improve its service.

### *Central Europe*

Retail Central Europe has a leading presence in Poland and strong positions in Romania and Turkey. It operates full-service banks in all three, combining retail and commercial banking products and services for its customers. These banks are also striving to become the customer's preferred bank through operational excellence, customer centricity and being a top employer. ING Bank Śląski has continued to modernise its branch network and optimise customer services by closer integration between its call centre, internet and branches. In 2011, its website [www.ingbank.pl](http://www.ingbank.pl), was ranked the most user-friendly bank website in Poland by experts from banking website Money.pl. Turkey is an important growth market for ING Bank, and ING Bank Turkey completed various initiatives throughout 2010 and 2011 to support its ambition to be the preferred bank for Turkish consumers. The bank is concentrating on improving customer service and offering 'smart products' serving specific customer needs that differentiate ING Bank from its principal competitors. ING Bank Turkey launched the Orange account, generally recognised as the country's first variable savings product (variable term), which was developed using ING's extensive savings know-how. The Orange account accelerated an operational transformation and simplification of the business and enhanced ING's image in the Turkish market. It helped double the level of deposits in ING Bank Turkey in



2011 with 44% of all Orange accounts opened coming from new customers. ING Bank believes that the account positioned ING Bank Turkey as an innovative, customer savvy savings bank.

#### *Asia*

Retail Banking has a leading presence in the important Asian markets of India, China and Thailand. ING Vysya, in which ING has a 44% stake, serves over two million customers and is striving to increase its market share in the rapidly growing Indian banking market. ING Vysya Bank continued to expand its national reach by extending its branch network to 526 branches in 373 cities as at the end of 2011. The Net Promoter Score programme was launched and resulted in a positive score. TMB Bank, in which ING has a 30% stake, is growing in both its Retail and Commercial Banking businesses. TMB also opened more branches as part of its strategy to improve channel accessibility. It plans to relocate and open more than 50 branches. The bank also strengthened its electronic banking channel by enabling existing clients to open savings and term deposit accounts online. Bank of Beijing (BoB) – in which ING is the largest single shareholder (16.07%) – is continuing its rapid growth in volumes and profits. BoB is the largest city-based commercial bank in China. In 2010, ING decided to renew the strategic alliance with BoB for a further five years (until 2015). As an extension to its strategic partnership, ING and BoB also signed a second five-year Technical Assistance Agreement in 2010. As with all other banking business units, Retail Asia is working hard to become the customer's preferred bank by focusing on operational excellence, customer centricity and being a top employer.

#### *Private Banking*

Private Banking provides wealth management services to high net worth individuals throughout the world. ING has continued to raise the visibility of the Private Banking activities in the Benelux to penetrate ING's existing client base in these markets. ING sold its Swiss Private Banking business in January 2010 and its Asian Private Banking business in the first half of 2010.

### **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 is a full-service commercial bank in its home markets in the Benelux, as well as in Germany, Central and Eastern Europe. In addition to the basic banking services of lending, payments and cash management and treasury, ING provides tailored solutions in other areas, including specialised and trade finance, derivatives, corporate finance, debt and equity capital markets, leasing, factoring and supply chain finance.

ING's clients include mid-sized enterprises, large corporations, major multinationals, financial institutions, governments and supranational organisations. ING assists them by financing their growth, managing their day-to-day banking needs and providing a full range of banking solutions to help them manage their risks and achieve their business goals.

In 2011, Commercial Banking delivered strong results, maintaining its focus on core franchises in the Benelux, Germany, Central and Eastern Europe, Structured Finance and Financial Markets. ING made significant progress in optimising its balance sheet and with managing its resources in relation to solvency, liquidity and funding more efficiently; this against the backdrop of a tough economic environment and materially increasing regulatory demands.

2011 presented many challenges, but ING has adapted its business model to ensure continued success. ING has continued to divest non-core businesses (e.g. ING Car Lease) and adjust its core platforms where necessary, maintaining tight control over costs and risks and with a continued discipline over capital allocation and returns. As a result, the Commercial Banking franchise remained strong and strengthened its position in the market.

Lending is a core element and anchor product in building and supporting client relationships in ING's target markets creating a position from which it is able to provide other services. Volumes gradually increased throughout the first half of 2011 and, while margin pressures increased, ING's average margin remained above pre-crisis levels. ING has maintained its position as a market leader in general lending in the Benelux market, and selectively increased its franchise within Central and Eastern Europe and other Western European markets. In the second half of the year, market conditions significantly deteriorated and cost of funding increased. Anticipated increases in capital requirements under Basel III led to a number of competitor banks withdrawing from international markets and focusing on their home country franchises. ING has sustained its presence throughout this time and its relative market positioning strengthened as a result. ING is beginning to see a positive repricing in its portfolio with further opportunities to improve the quality of its business and its relationships.

Payments and Cash Management (PCM) is one of ING Bank's most important product lines. Alongside General Lending, ING Bank considers it a prerequisite for customer acquisition and retention. During 2011, ING Bank redefined its PCM strategy. ING Bank's ambition is to gain a leading position in the European market and ING Bank has launched a multi-year investment programme to this end. In the coming years, ING Bank will significantly improve its payments offering to support these goals.

PCM completed a number of high-profile and international transactions with clients, demonstrating its commitment to offering solutions across regions (e.g. ING has been appointed by GDF SUEZ as the main bank for payments and cash management in the Benelux). ING believes that this resulted in a further strengthening of ING's position as a trusted banking partner. ING has strengthened its position as a market leader for payments processing in The Netherlands and made steady progress towards becoming a top-tier payments bank in Belgium. Furthermore, ING's migration to the Single Euro Payments Area (SEPA) standards is underway, as its Belgian, Dutch and other international clients have begun to migrate towards its SEPA product offering.

Structured Finance, ING's specialised commercial lending business, continued to grow in 2011. Revenues were supported by relatively good margins on business originated in 2009 and 2010.

Leasing and Factoring (L&F) provides financial and operating leasing services for a wide range of equipment as well as receivables financing and other factoring solutions for Commercial Banking clients. The key development during 2011 was the transformation of the former independent corporate structure of the L&F product lines into two separate product businesses integrated within Commercial Banking. Furthermore, in the current economic environment, the L&F portfolio was reviewed against the criteria of its strategic fit with the focus of ING Bank across Europe, its performance and its critical size in some countries. As a result of this review, ING Car Lease was sold to BMW Group fleet management division Alphabet, and decisions were taken to downsize or discontinue ING's leasing operations in certain countries. The focus of ING's Leasing business will continue to be on providing a full service to all customer segments in ING's home markets, while the Factoring business which is unaffected by the review remains positioned as a core growth product within ING's trade-focused Transaction Services activities.

L&F performed well at the operating level, due in large part to a strong performance by ING Car Lease during the first nine months of 2011 under ING's ownership. This business has now been sold. General Lease has performed well in a continually sluggish environment for capital investment, while ING's Factoring businesses have seen increased volumes. However, the overall performance has been negatively impacted by higher risk costs in the General Lease business, notably in Spain and Italy.

The latest statistics from the leasing industry association Leaseurope (source: Leaseurope – 2010 Leaseurope Ranking of European Leasing Companies) confirm that ING Lease improved its market share to 6th position in Europe, demonstrating its ability to continue to support key customers in ING's focus markets. ING Commercial Finance Netherlands was voted into 1st place by its customers (source: Incompany 100

Business Finance survey 2011) and ING Lease UK was voted "2011 Broker Champion of the Year" in the Leasing World Awards, cementing its position in the UK.

Financial Markets (FM) is the global business unit that manages ING's financial markets trading and non-trading activities. FM continued to be a sizeable and profitable business within Commercial Banking. Following record years in 2009 and 2010, the first half of 2011 continued in a similar vein. However, the growing intensity of the Euro sovereign crisis from August 2010 led to a challenging environment in the second half. Not least of these challenges was the impairment of Greek government bonds in the available-for-sale portfolio, including those maturing after 2020, to their market valuation at the end of the third quarter. Revenue was also negatively impacted from August by increased USD funding costs which impacted Treasury profitability. Client revenues held up in line with 2010, but the facilitation trading environment was difficult, which depressed profits in the second half.

ING Real Estate includes the Finance, Development and Investment Management businesses. During 2011, Real Estate Finance (REF) maintained the quality of its credit portfolio at a satisfactory level, despite the challenging market circumstances. The volume of new transactions in Europe fell in 2011 as part of ING's strategy to reduce exposure to real estate in general, while investors continued their focus on core assets. The US businesses closed numerous restructurings, thereby optimising the portfolio, while the Asian and Australian businesses faced increased competition from regional players. Real Estate Development (ING RED) and Real Estate Investment Management (ING REIM) continued a controlled wind-down of activities. In 2011, ING sold to CB Richard Ellis Group (CBRE), Inc. the ING REIM Europe business, ING REIM Asia business and ING Clarion Real Estate Securities (CRES) business. Separately, ING sold ING Clarion Partners to Clarion Partners' management in partnership with Lightyear Capital LLC. The combined price of the two transactions was approximately USD 1.0 billion (EUR 770 million). In addition, as part of the overall transactions, ING agreed to sell approximately USD 100 million of its equity interest in existing ING REIM funds. These transactions closed during 2011. Also, in early 2011, ING finalised the strategic review of ING REIM Australia and its five listed real estate funds. Four funds have since been divested with strategic options being considered for the remaining business. ING RED took a number of steps to reduce its real estate exposure, including the sale of a number of Dutch projects to a subsidiary of the largest Dutch construction company, the closure of two country offices and the restructuring of the remaining country organisations to minimal wind-down teams. In addition, the restructuring or disposal of 100 development projects and positions resulted in the reduction of EUR 700 million of future commitments. Overall, the real estate exposure of the bank has decreased significantly. Although the real estate markets are expected to remain difficult, ING will continue to serve real estate investors around the world, while retaining ING's network of highly skilled real estate experts and its knowledge base.

ING Commercial Banking performed well in 2011 and proved that in difficult circumstances its underlying business is strong due to its commercial franchises, solid risk management, strict cost discipline and prudent management of capital and lending asset growth. It has also benefited from a well-diversified portfolio. In 2012, ING Bank intends to 1) continue to be client focused, making further inroads through transparency, fair pricing, convenience and excellent service; 2) improve and maintain leadership positions in its core markets in the Benelux and Central and Eastern Europe, in Structured Finance and in Financial Markets; 3) develop Germany as a core market franchise and make further improvements to its Transaction Services activities; 4) further optimise its balance sheet structure and increase the efficiency and effectiveness of its operations; 5) continue to manage its capital prudently and allocate it to core markets and high-return businesses with attractive risk/reward characteristics; and 6) further optimise its cost structure.

## **REGULATION AND SUPERVISION**

The banking and broker-dealer businesses of ING Bank are subject to detailed 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.

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 Netherlands Authority for the Financial Markets (the AFM).

There are a variety of proposals that could impact ING globally, in particular those made by the Financial Stability Board (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. 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.

During 2011 and 2010, a large number of national, regional and global bodies have presented views and proposals of possible legislative and regulatory changes for the banking, insurance and investment industry, building on proposals in the previous years such as the 2009 Report by the High-Level Group on Financial Supervision in the EU chaired by Mr Jacques de Larosi re. On the issue of supervisory architecture, 2010 saw the agreement on the establishment of three European supervisory agencies for each of the financial sectors and one Systemic Risk Board. These new European bodies have been established and started their mandate on 1 January 2011. The European Systemic Risk Board started working on detecting risks building up in the financial sector and the economy as a whole. In addition to changes to the regulatory architecture, significant changes to capital and liquidity standards were agreed and, on topics such as remuneration, various national and international bodies have issued guidelines that need implementation.

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, standards and expectations. Bank regulators and other supervisory authorities in Europe, the US 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 Bank seeks to meet the standards and expectations of regulatory authorities and other interested parties 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. The failure or alleged failure by ING Bank to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING Bank’s licences, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING Bank’s reputation and financial condition, and accordingly ING Bank’s primary focus is to support good business practice through its Business Principles and group policies. Over the past years, ING Bank has significantly increased its compliance efforts, including a major staff increase, amendment of key policies and guidelines and the international rollout of several programmes for education, awareness and monitoring of compliance issues.

As a result of its frequent evaluation of all businesses from an economic, strategic and risk perspective, ING Bank continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes the fact that ING Bank has a policy not to enter into new relationships with clients from these countries, and processes remain in place to discontinue existing relationships involving these countries. At present, these countries include Myanmar, North Korea, Sudan,

Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.

ING Bank has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB), related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. In connection with that review and related discussions, ING Bank completed the global implementation of enhanced compliance and risk management procedures and continues working to further strengthen the Financial Economic Crime controls as agreed with DNB. ING Bank remains in discussions with authorities in the US and in other jurisdictions concerning these matters, including ING Bank's compliance with Office of Foreign Assets Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice and the New York County District Attorney's Office. ING Bank is cooperating fully with the ongoing investigations and is engaged in discussions to resolve these matters with the US authorities; however, it is not yet possible to reliably estimate the timing or amount of any potential settlement, which could be significant.

In the US, the Dodd-Frank Wall Street Reform and Consumer Protection 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 US 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-US companies. If ING or its US 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 US (which comprises US Insurance and IM US) through a base case of an IPO. This divestiture, when completed, will substantially reduce the level of activity conducted in the US by ING and its controlled subsidiaries, and, as a result, ING believes will substantially reduce the likelihood of ING or any of its US 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 US 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 US operations will be designated as a systemically significant non-bank financial company by FSOC.

Dodd-Frank 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 such 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 the bank 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. During 2008, a Basel I regulatory floor of 90% and, during 2009, 2010 and 2011 a Basel I regulatory floor of 80%, respectively, still applied. A small number of portfolios are still reported under the Standardised Approach.

The Basel Committee on Banking Supervision has 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 calls for stricter definitions of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities to be introduced at the end of 2011 as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board (FSB) are currently considering measures that may have the effect of requiring higher loss-absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for "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. ING Bank has been designated as a G-SIFI. For European banks these Basel III requirements will be implemented through the Capital Requirement Directive (CRD) IV, which might deviate in its final state from the original Basel III requirements. While the full impact of the new Basel III rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to ING Bank, will depend on how they are implemented by national regulators, including the extent to which 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 N.V. 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 sold ING Direct USA to Capital One Financial Corporation. The transaction closed on 17 February 2012. 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, the bank regulatory agencies are imposing heightened standards, and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing could have serious legal and reputation consequences for the institution.

#### *Canada*

ING Bank of Canada ("ING Direct Canada") is a federally regulated financial institution that is subject to the supervision of the Office of the Superintendent of Financial Institutions (the "OSFI"), which is the primary supervisor of federally chartered financial institutions (including banks and insurance companies) and federally administered pension plans. Canadian regulators are closely monitoring the activities of financial institutions with a focus on ensuring the stability and integrity of the banking system, including issues such as: capital adequacy, consumer protection and transparency. In particular, legislation has been introduced to ensure plain language is used in disclosure for deposit and lending products. OSFI has communicated its expectations regarding capital management and planning for banks. The Federal government is also pushing for a national securities regulator that will simplify the regulatory regime for securities and facilitate capital entering into Canada. In addition, Canada maintains a robust anti-money laundering regime where financial institutions are required to know and monitor their customers and their transactions.

ING Direct Canada manufactures and sells mutual funds through its wholly-owned subsidiaries. ING Direct Asset Management Limited manages three index-based mutual funds exclusively sold by ING Direct Funds Limited, a registered mutual fund dealer. Both entities are principally regulated by the Ontario Securities Commission. The dealership is also a member of the Mutual Fund Dealers Association, a mandatory self-regulatory body, which governs and oversees the conduct of mutual fund dealers in Canada.

#### **Asia/Pacific**

##### *Australia*

ING's banking activities are undertaken in Australia by ING Bank (Australia) Limited ("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 Direct is an Australian incorporated subsidiary which holds a Banking Licence, an Australian Financial Services licence ("AFSL") and Australian Credit Licence ("ACL"). As ING Direct provides banking products and services to retail customers, it is subject to stringent legislative and regulatory disclosure and

conduct requirements. ING Direct must demonstrate compliance as a condition to maintaining its AFSL and ACL. As an Australian incorporated subsidiary, ING Direct 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 Securities 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. Moreover, certain ING Bank entities manage registered investment companies (such as mutual funds) and the Investment Company Act of 1940 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 as defined in the Act.

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 of 2001 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. Securities and Exchange Commission, the states 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.

ING DIRECT Investing, Inc., a US retail broker, was, indirectly, sold to Capital One Financial Corporation as part of the ING Direct USA transaction, which closed on 17 February 2012.



## SELECTED FINANCIAL INFORMATION

### CONSOLIDATED BALANCE SHEET OF ING BANK N.V.\*

	31 December 2011	31 December 2010	31 December 2009
	<i>(amounts in millions of euros)</i>		
<b>Assets</b>			
Cash and balances with central banks .....	28,112	9,519	12,602
Amounts due from banks .....	45,323	51,828	43,397
Financial assets at fair value through profit and loss: .....			
– trading assets .....	123,176	125,070	110,981
– non-trading derivatives .....	10,076	8,990	8,610
– designated as at fair value through profit and loss .....	2,838	3,066	3,178
Investments:			
– available-for-sale .....	74,935	99,200	92,182
– held-to-maturity .....	8,868	11,693	14,409
Loans and advances to customers .....	577,569	587,448	551,774
Investments in associates .....	827	1,494	1,396
Real estate investments .....	435	562	2,283
Property and equipment .....	2,417	5,615	5,567
Intangible assets .....	1,743	2,265	2,377
Assets held for sale .....	62,483	300	4,583
Other assets .....	22,363	26,023	28,780
<b>Total assets</b> .....	<b>961,165</b>	<b>933,073</b>	<b>882,119</b>
<b>Equity</b>			
Shareholders' equity (parent) .....	34,367	34,452	30,222
Minority interests .....	693	617	995
<b>Total equity</b> .....	<b>35,060</b>	<b>35,069</b>	<b>31,217</b>
<b>Liabilities</b>			
Subordinated loans .....	18,408	21,021	21,193
Debt securities in issue .....	130,926	125,066	109,357
Amounts due to banks .....	72,233	72,852	84,235
Customer deposits and other funds on deposit .....	479,364	519,304	477,602
Financial liabilities at fair value through profit and loss:			
– trading liabilities .....	107,682	108,049	98,245
– non-trading derivatives .....	18,161	15,825	16,777
– designated as at fair value through profit and loss .....	13,021	12,707	11,474
Liabilities held for sale .....	64,265	145	4,631
Other liabilities .....	22,045	23,035	27,388
<b>Total liabilities</b> .....	<b>926,105</b>	<b>898,004</b>	<b>850,902</b>
<b>Total liabilities and equity</b> .....	<b>961,165</b>	<b>933,073</b>	<b>882,119</b>

\*These figures have been derived from the audited annual consolidated accounts of ING Bank in respect of the financial years ended 31 December 2011, 2010 and 2009.

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

	<b>31 December 2011</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	<i>(amounts in millions of euros)</i>		
Share capital .....	<b>525</b>	<b>525</b>	525
Share premium .....	<b>16,542</b>	<b>16,542</b>	16,542
Revaluation reserve.....	<b>550</b>	<b>1,457</b>	2,329
Currency translation reserve .....	<b>209</b>	<b>500</b>	(241)
Other reserves.....	<b>16,541</b>	<b>15,428</b>	11,067
Shareholders' equity (parent) .....	<b>34,367</b>	<b>34,452</b>	30,222

\*These figures have been derived from the audited annual consolidated accounts of ING Bank in respect of the financial years ended 31 December 2011, 2010 and 2009.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(amounts in millions of euros)</i>		
Interest income .....	<b>65,204</b>	<b>68,952</b>	80,348
Interest expense .....	<b>(51,620)</b>	<b>(55,365)</b>	(67,586)
Interest result .....	<b>13,584</b>	<b>13,587</b>	12,762
Investment income .....	<b>(544)</b>	<b>447</b>	(1,742)
Net gains/losses on disposal of group companies .....	<b>813</b>	<b>313</b>	(13)
Gross commission income ...	<b>3,471</b>	<b>3,556</b>	3,553
Commission expense .....	<b>(976)</b>	<b>(923)</b>	(875)
Commission income .....	<b>2,495</b>	<b>2,633</b>	2,678
Valuation results on non- trading derivatives .....	<b>156</b>	<b>(724)</b>	(921)
Net trading income .....	<b>311</b>	<b>1,195</b>	833
Share of profit from associates .....	<b>32</b>	<b>104</b>	(388)
Other income .....	<b>348</b>	<b>346</b>	456
<b>Total income .....</b>	<b>17,195</b>	<b>17,901</b>	13,665
Addition to loan loss provisions .....	<b>1,670</b>	<b>1,751</b>	2,973
Intangible amortisation and other impairments .....	<b>321</b>	<b>504</b>	496
Staff expenses .....	<b>5,506</b>	<b>5,570</b>	5,243
Other operating expenses .....	<b>4,399</b>	<b>4,093</b>	4,453
<b>Total expenses .....</b>	<b>11,896</b>	<b>11,918</b>	13,165
Result before tax .....	<b>5,299</b>	<b>5,983</b>	500
Taxation .....	<b>1,216</b>	<b>1,408</b>	(43)
Net result (before minority interests) .....	<b>4,083</b>	<b>4,575</b>	543
Attributable to:			
Shareholders of the parent ...	<b>4,005</b>	<b>4,495</b>	684
Minority interests .....	<b>78</b>	<b>80</b>	(141)
	<b>4,083</b>	<b>4,575</b>	543

\*These figures have been derived from the audited annual consolidated accounts of ING Bank in respect of the financial years ended 31 December 2011, 2010 and 2009.

## 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 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 document for more factors that can impact ING Bank's results of operations.

#### Financial environment

Major changes in the external environment had an impact on ING Bank in 2011, the most significant being the deepening of the sovereign debt crisis in the Eurozone which created an extremely challenging economic and financial market environment in the second half of the year. Consequently, international capital and money markets were not functioning in the manner they would in more normal circumstances. This had repercussions (for ING Bank, ING Bank's industry and the broader economy) especially in Europe where funding for governments and financial institutions dried up 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 on the other hand to changes in both net interest income and the results of ING Bank's trading activities for its own account. 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 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 both through the trading activities for its own account and because of the fact that ING Bank prepares and publishes its consolidated financial statements in Euros. Because a substantial portion of ING Bank's income and expenses are 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.

## CONSOLIDATED RESULTS OF OPERATIONS

The following information should be read in conjunction with, and is qualified by reference to, the 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 42 of the ING Bank consolidated financial statements for the year ended 31 December 2011.

The following table sets forth the consolidated results of operations of ING Bank for the years ended 31 December 2011, 2010 and 2009:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
		<i>(EUR millions)</i>	
Underlying income			
Net interest result .....	13,895	13,727	12,852
Commission income.....	2,256	2,253	2,171
Total investment and other income.....	(36)	1,004	(1,719)
<b>Total underlying income.....</b>	<b>16,115</b>	<b>16,984</b>	<b>13,304</b>
Underlying expenditure			
Operating expenses .....	9,462	9,350	8,946
Addition to loan loss provision.....	1,667	1,742	2,854
<b>Total underlying expenditure .....</b>	<b>11,129</b>	<b>11,092</b>	<b>11,800</b>
<b>Underlying result before tax .....</b>	<b>4,986</b>	<b>5,892</b>	<b>1,504</b>
Taxation .....	1,339	1,468	129
Minority interests .....	79	70	76
<b>Underlying net result .....</b>	<b>3,568</b>	<b>4,354</b>	<b>1,299</b>
Divestments <sup>(1)</sup> .....	887	481	(176)

	<b>2011</b>	<b>2010</b>	<b>2009</b>
		<i>(EUR millions)</i>	
Special items <sup>(2)</sup> .....	(450)	(340)	(439)
<b>Net result</b> .....	<b>4,005</b>	<b>4,495</b>	<b>684</b>

Notes:

- (1) Divestments include the net operating result of the divested units as well as the gains/losses on the divestments. Divestments: sale REIM (EUR 453 million, 2011, EUR 23 million, 2010, EUR 45 million, 2009), sale Car Lease (EUR 405 million, 2011, EUR 57 million, 2010, EUR 20 million), sale IM Philippines (EUR 29 million, 2011), sale Private Banking Swiss (EUR 73 million, 2010, EUR 17 million, 2009), sale Private Banking Asia (EUR 334 million, 2010, EUR (63) million, 2009), sale Summit Canada (EUR (6) million, 2010, EUR (195) million, 2009).
- (2) Special items: Liability management transaction (EUR 70 million, 2011), separation costs ING (EUR (48) million, 2011, EUR (43) million, 2010), Retail Netherlands strategy (EUR (105) million, 2011, EUR (180) million, 2010, EUR (166) million, 2009), not launching ING Direct Japan (EUR (5) million, 2009), transaction result on Alt-A Portfolio (EUR 44 million, 2009), restructuring provisions (EUR (209) million, 2011), EUR (115) million, 2010, EUR (312) million, 2009), an adjustment of the Illiquid Assets Back-up Facility based on higher prepayment behaviour in the underlying Alt-A securities (EUR (156) million, 2011), Other (EUR (2) million, 2011, EUR (2) million, 2010).

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

Underlying result before tax dropped 15.4% to EUR 4,986 million from EUR 5,892 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 ING Direct, while the previous year included EUR 275 million of capital gains on the sale of two Asian equity stakes. Excluding these items, underlying result before tax rose slightly by 2.5%.

The net result declined to EUR 4,005 million in 2011 from EUR 4,495 million in 2010. In 2011, the net result was affected by a number of divestments and special items, including divestments of ING Real Estate Investment Management, ING Car Lease and ING IM Philippines that resulted in a net gain of EUR 821 million, with the operating net results from these units contributing to EUR 66 million before the disposals. In 2011, special items after tax were EUR 450 million negative 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 results from divested units, while special items were related to the bank's previous restructuring programmes.

Total underlying income declined 5.1% to EUR 16,115 million in 2011 from EUR 16,984 million in 2010. The underlying net interest result edged up to EUR 13,895 million from EUR 13,727 million in 2010, due to a small increase in volumes. The total interest margins however declined slightly to 1.42% from 1.44% in 2010. Commission income remained flat in 2010, as increases in Commercial Banking (mainly Structured Finance) were offset by declines in Retail Banking. Total investment and other income was EUR (36) million compared with EUR 1,004 million in 2010, mainly due to the above-mentioned impairments on Greek government bonds and losses on selective de-risking at ING Direct 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 1.2% to EUR 9,462 million, mainly due to specific investments in the business and a modest year-on-year increase in staff costs. This was largely offset by stringent cost control and lower impairments on real estate development projects. The underlying net addition to the provision for loan losses declined 4.3% to EUR

1,667 million from EUR 1,742 million in 2010. Risk costs in 2011 were 52 basis points of average risk-weighted assets compared with 53 basis points in 2010.

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

Underlying result before tax increased to EUR 5,892 million in 2010 from EUR 1,504 million in 2009. The strong improvement was principally driven by volume growth, strengthening of the interest margin, lower negative market-related impacts and a more normalised level of risk costs. Almost all business segments contributed to the increase. ING Direct and ING Real Estate benefited from signs of stabilisation in the property markets: ING Direct posted an underlying result before tax of EUR 1,450 million after a loss of EUR 666 million in 2009, while ING Real Estate reduced the amount of its loss from EUR 1,050 million in 2009 to a loss of EUR 109 million in 2010.

The net result rose to EUR 4,495 million in 2010 compared with EUR 684 million in 2009. In 2010, the divestment of the Swiss and Asian Private Banking activities and the sale of Summit in Canada resulted in a net gain of EUR 379 million, while the operating net results from divested units amounted to EUR 102 million. Special items in 2010 were EUR (340) million, mainly related to various restructuring programmes, including the merger of the Dutch retail banking activities, and costs related to the separation of Banking and Insurance. Net result in 2009 included EUR (439) million of special items, mainly related to additional payments on the Illiquid Assets Back-up Facility and charges for the merger of the retail banking activities in The Netherlands and EUR (176) million of operating net results from divested units.

Total underlying income rose 27.7% to EUR 16,984 million. The net interest result increased 6.8%, driven by higher volumes and margins. The total interest margin improved to 1.44% from 1.34% in 2009, mainly in Retail Banking. Commission income increased 3.8% driven by higher Structured Finance fees. Total investment and other income was EUR 1,004 million compared with EUR (1,719) million in 2009, principally driven by a diminution of impairments on debt securities and negative revaluations on real estate combined with higher capital gains.

Underlying operating expenses, which includes intangibles amortisation and other impairments, increased by 4.5% to EUR 9,350 million, reflecting higher staff costs, increased marketing expenses and Deposit Guarantee Scheme costs, as well as higher IT project costs. The underlying net addition to the provision for loan losses declined to EUR 1,742 million from EUR 2,854 million in 2009. The additions to the provision for loan losses in 2010 were 53 basis points of average risk-weighted assets compared with 85 basis points in 2009.

#### **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 2011, 2010 and 2009:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(EUR billions, except amounts per share)</i>		
Financial assets at fair value through the profit and loss account .....	136.1	137.1	122.8
Investments .....	83.8	110.9	106.6
Loans and advances to customers.....	577.6	587.4	551.8
Total assets .....	961.2	933.1	882.1
Customer deposits and other funds on deposits <sup>(1)</sup> .....	479.4	519.3	477.6
Debt securities in issue/other borrowed funds .....	149.3	146.1	130.6
Total liabilities (including minority interests).....	926.8	898.6	851.9
Shareholders' equity.....	34.4	34.5	30.2

Note:

- (1) Customer deposits and other funds on deposits consists of savings accounts, other deposits, bank funds and debt securities privately issued by ING Bank

### 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.

### Year ended 31 December 2010 compared to year ended 31 December 2009

Total assets increased by 5.8%, or EUR 51.0 billion, to EUR 933.1 billion at 31 December 2010 compared to EUR 882.1 billion at 31 December 2009, mainly due to increased financial assets at fair value through the profit and loss account of EUR 14.3 billion and loans and advances to customers, which rose by EUR 35.6 billion. The increase in financial assets at fair value through the profit and loss account was due to positive currency effects and higher trading and non-trading derivatives. The increase in loans and advances to customers was almost entirely in residential mortgages at ING Direct and in the Benelux.

Shareholders' equity increased by 14.0%, or EUR 4,229 million, to EUR 34,451 million at 31 December 2010 compared to EUR 30,222 million at 31 December 2009. The increase is mainly due the net result from the year 2010 of EUR 4,495 million, in part offset by the EUR 200 million cash dividend paid to ING Group.

## SEGMENT REPORTING

ING Bank's segments are based on the management structure of ING Bank, which is different from its legal structure. As a result of changes in the internal management and reporting structure, the operating segments changed as from 1 January 2010. The year 2009 was restated accordingly. The following table sets forth the contribution of ING Bank's business lines and the corporate line Banking (CL) based on the underlying results presentation, reconciled to show net result for each of the years 2011, 2010 and 2009. See Note 42 to the ING Bank consolidated financial statements for the year ended 31 December 2011 for further disclosure of ING Bank's segment reporting.

2011	Retail Nether- lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Comm- ercial Banking	Real Estate	CL <sup>(1)</sup>	Total Banking
<i>(EUR millions)</i>									
Total underlying income	4,146	2,031	3,423	1,028	275	4,494	529	189	16,115
Total underlying expenditure	2,885	1,577	2,424	870	203	2,508	495	167	11,129
Underlying result before tax	1,261	454	999	158	72	1,986	34	22	4,986
Taxation	316	108	349	30	14	398	87	37	1,339



2011	Retail Nether- lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Comm- ercial Banking	Real Estate	CL <sup>(1)</sup>	Total Banking
				<i>(EUR millions)</i>					
Minority interests.....			1	29	30	26	(7)		79
<b>Underlying net results ..</b>	<b>945</b>	<b>346</b>	<b>649</b>	<b>99</b>	<b>28</b>	<b>1,562</b>	<b>(46)</b>	<b>(15)</b>	<b>3,568</b>
Divestments.....	12	2				420	453		887
Special items.....	(246)	(12)				(68)	(12)	(112)	(450)
<b>Net result .....</b>	<b>711</b>	<b>336</b>	<b>649</b>	<b>99</b>	<b>28</b>	<b>1,914</b>	<b>395</b>	<b>(127)</b>	<b>4,005</b>

2010	Retail Nether- lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Comm- ercial Banking	Real Estate	CL <sup>(1)</sup>	Total Banking
				<i>(EUR millions)</i>					
<b>Total underlying income .....</b>	<b>4,310</b>	<b>2,048</b>	<b>3,782</b>	<b>976</b>	<b>286</b>	<b>4,820</b>	<b>529</b>	<b>223</b>	<b>16,984</b>
<b>Total underlying expenditure .....</b>	<b>2,936</b>	<b>1,505</b>	<b>2,332</b>	<b>822</b>	<b>206</b>	<b>2,494</b>	<b>638</b>	<b>159</b>	<b>11,092</b>
<b>Underlying result before tax .....</b>	<b>1,374</b>	<b>543</b>	<b>1,450</b>	<b>154</b>	<b>80</b>	<b>2,326</b>	<b>(109)</b>	<b>74</b>	<b>5,892</b>
Taxation.....	361	91	463	31	15	483	27	(3)	1,468
Minority interests.....		(6)	1	20	22	28	4		70
<b>Underlying net result....</b>	<b>1,013</b>	<b>458</b>	<b>986</b>	<b>103</b>	<b>43</b>	<b>1,815</b>	<b>(140)</b>	<b>77</b>	<b>4,354</b>
Divestments.....	16	75			334	39	17		481
Special items.....	(232)	(13)				(31)	(34)	(30)	(340)
<b>Net result.....</b>	<b>797</b>	<b>520</b>	<b>986</b>	<b>103</b>	<b>377</b>	<b>1,822</b>	<b>(157)</b>	<b>47</b>	<b>4,495</b>

2009	Retail Nether- lands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Comm- ercial Banking	Real Estate	CL <sup>(1)</sup>	Total Banking
				<i>(EUR millions)</i>					
<b>Total underlying income .....</b>	<b>3,870</b>	<b>2,058</b>	<b>1,762</b>	<b>860</b>	<b>196</b>	<b>4,878</b>	<b>(220)</b>	<b>(100)</b>	<b>13,304</b>
<b>Total underlying expenditure .....</b>	<b>3,002</b>	<b>1,480</b>	<b>2,428</b>	<b>776</b>	<b>171</b>	<b>2,784</b>	<b>830</b>	<b>328</b>	<b>11,800</b>
<b>Underlying result before tax .....</b>	<b>868</b>	<b>578</b>	<b>(666)</b>	<b>84</b>	<b>25</b>	<b>2,094</b>	<b>(1,050)</b>	<b>(428)</b>	<b>1,504</b>
Taxation.....	229	79	(252)	29	5	373	(216)	(118)	129
Minority interests.....		2		5	10	29	30		76
<b>Underlying net results .....</b>	<b>639</b>	<b>497</b>	<b>(414)</b>	<b>50</b>	<b>10</b>	<b>1,692</b>	<b>(863)</b>	<b>(310)</b>	<b>1,299</b>
Divestments.....	11	17			(63)	9	(150)		(176)
Special items.....	(225)	(39)	36	(6)	(2)	(169)	(29)	(5)	(439)
<b>Net result.....</b>	<b>425</b>	<b>475</b>	<b>(378)</b>	<b>44</b>	<b>(55)</b>	<b>1,532</b>	<b>(1,042)</b>	<b>(315)</b>	<b>684</b>

Note:

- (1) Corporate Line mainly includes items not directly attributable to the business lines, including EUR 295 million of capital gains on the sale of two Asian equity positions in 2010 and certain restructuring provisions booked as special items in 2010 and 2009.

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		
	2011	2010	2009
	<i>(EUR millions)</i>		
Underlying income			
Interest result.....	3,613	3,816	3,303
Commission income.....	481	498	528

	<b>Retail Netherlands</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(EUR millions)</i>		
Other underlying income .....	52	(4)	39
<b>Total underlying income .....</b>	<b>4,146</b>	<b>4,310</b>	<b>3,870</b>
Underlying expenditure			
Operating expenses .....	2,428	2,376	2,475
Additions to the provision for loan losses .....	457	560	527
<b>Total underlying expenditure .....</b>	<b>2,885</b>	<b>2,936</b>	<b>3,002</b>
<b>Underlying result before tax .....</b>	<b>1,261</b>	<b>1,374</b>	<b>868</b>
Taxation .....	316	361	229
Minority interests .....			
<b>Underlying net result .....</b>	<b>945</b>	<b>1,013</b>	<b>639</b>
Divestments .....	12	16	11
Special items .....	(246)	(232)	(225)
<b>Net result .....</b>	<b>711</b>	<b>797</b>	<b>425</b>

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

The underlying result before tax of Retail Netherlands decreased 8.2% to EUR 1,261 million in 2011 from EUR 1,374 million in 2010, principally driven by lower income and higher expenses, partly offset by a decrease in risk costs. Total underlying income decreased 3.8% to EUR 4,146 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, a decrease of EUR 1.9 billion from 2010, while volumes in other lending decreased EUR 0.2 billion and margins declined. Funds entrusted increased EUR 3.1 billion, mainly driven by a successful marketing campaign for a one-year deposit in the fourth quarter. Operating expenses rose 2.2% to EUR 2,428 million in 2011, mainly as a consequence of higher pension costs following updated mortality tables and an impairment on software in WestlandUtrecht Bank. The addition to loan loss provisions decreased 18.4% to EUR 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 945 million in 2011 from EUR 1,013 million in 2010. The net result declined to EUR 711 million in 2011 compared with EUR 797 million in 2010. In 2011, special items amounted to EUR (246) million, mainly related to the Case for Change initiative, as well as additional costs for the combining of ING Bank and Postbank and the operational and legal separation of WestlandUtrecht Bank. Special items in 2010 were EUR (232) million, mainly related to the Retail Netherlands Strategy (combining ING Bank and Postbank), other restructuring expenses and separation costs related to WestlandUtrecht Bank. Divestments in both years related to the operating net results of the ING Car Lease business.

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

The underlying result before tax of Retail Netherlands increased 58.3% to EUR 1,374 million in 2010 from EUR 868 million in 2009, principally driven by higher income and lower expenses, despite an increase in risk costs. Total underlying income rose 11.4% to EUR 4,310 million in 2010. This increase was fully attributable to a 15.5% higher interest result, mainly driven by higher interest margins on savings and mortgages. Net production in residential mortgages was EUR 5.5 billion, while volumes in other lending decreased by EUR 1.1 billion due to low demand. Funds entrusted increased by EUR 0.4 billion. Operating

expenses declined 4.0% to EUR 2,376 million in 2010, principally driven by the cost containment programme started in 2009 and efficiency improvements related to the merger of ING Bank and Postbank. The addition to the provision for loan losses increased 6.3% to EUR 560 million, or 108 basis points of average risk-weighted assets, as economic recovery in The Netherlands remained fragile during 2010.

Underlying net result increased to EUR 1,013 million in 2010 from EUR 639 million in 2009. The net result rose to EUR 797 million in 2010 compared with EUR 425 million in 2009. Special items in 2010 were EUR (232) million, and comprised mainly provisions and costs related to the Retail Netherlands Strategy (combining ING Bank and Postbank), other restructuring expenses and separation costs related to WestlandUtrecht Bank. The net result in 2009 included EUR (225) million of special items, mainly related to the Retail Netherlands Strategy and the Group initiative to reduce operating expenses. Divestments in both years included the operating net results of ING Car Lease, divested in 2011.

## RETAIL BELGIUM

	Retail Belgium		
	2011	2010 (EUR millions)	2009
Underlying income			
Interest result .....	1,606	1,608	1,619
Commission income .....	336	345	339
Investment and other income .....	89	95	100
<b>Total underlying income .....</b>	<b>2,031</b>	<b>2,048</b>	<b>2,058</b>
Underlying expenditure			
Operating expenses .....	1,432	1,345	1,280
Additions to the provision for loan losses .....	145	160	200
<b>Total underlying expenditure .....</b>	<b>1,577</b>	<b>1,505</b>	<b>1,480</b>
<b>Underlying result before tax .....</b>	<b>454</b>	<b>543</b>	<b>578</b>
Taxation .....	108	91	79
Minority interests .....		(6)	2
Underlying net result .....	346	458	497
Divestments .....	2	75	17
Special items .....	(12)	(13)	(39)
<b>Net result .....</b>	<b>336</b>	<b>520</b>	<b>475</b>

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

The underlying result before tax of Retail Belgium fell 16.4% in 2011 compared to 2010, as a small decline in income was accompanied by higher operating expenses. Income decreased 0.8% compared to 2010, mainly due to EUR 17 million of impairments on Greek government bonds. Interest result remained flat, as a 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 at the beginning of the year. Operating expenses increased 6.5% in 2011 compared to 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 in the first quarter of 2011.

Underlying net result decreased to EUR 346 million in 2011 from EUR 458 million in 2010. The net result declined to EUR 336 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 decreased in both 2010 and 2011, mainly related to the domestic transformation programme.

#### Year ended 31 December 2010 compared to year ended 31 December 2009

The underlying result before tax of Retail Belgium declined 6.1% in 2010 compared to 2009, mainly due to increased expenses. Underlying income slipped 0.5% to EUR 2,048 million. The interest result decreased slightly, due to lower margins on savings and current accounts, which were largely offset by higher margins on mortgages and other lending. Net production in mortgages totalled EUR 2.8 billion in 2010, while net production in other lending was EUR 1.3 billion. The net production in funds entrusted was EUR 2.2 billion, mainly driven by the success of the Orange Book savings product, which compensated for outflows in current accounts. Operating expenses increased 5.1% to EUR 1,345 million, mainly driven by additional contribution costs related to the Deposit Guarantee Scheme in 2010. The addition to the provision for loan losses declined 20.0% to EUR 160 million, or 84 basis points of average risk-weighted assets.

Underlying net result decreased 7.8% to EUR 458 million in 2010 from EUR 497 million in 2009. The net result rose to EUR 520 million in 2010 compared with EUR 475 million in 2009. In 2010, the impact of divestments was EUR 75 million, including the gain on the sale of the Swiss Private Banking activities and operating results of ING Car Lease, sold in 2011. In 2009, divestments were EUR 17 million, entirely related to the net result from divested units. Special items in 2010 were EUR (13) million, mainly related to the domestic transformation programme. The net result in 2009 included EUR (39) million of special items, mainly restructuring provisions as part of the Group initiative to reduce operating expenses.

#### ING DIRECT

	ING Direct		
	2011	2010	2009
	<i>(EUR millions)</i>		
Underlying income			
Interest result .....	3,865	3,774	3,136
Commission income .....	166	152	167
Investment and other income .....	(608)	(144)	(1,541)
<b>Total underlying income .....</b>	<b>3,423</b>	<b>3,782</b>	<b>1,762</b>
Underlying expenditure			
Operating expenses .....	1,962	1,886	1,663
Additions to the provision for loan losses .....	462	446	765
<b>Total underlying expenditure .....</b>	<b>2,424</b>	<b>2,332</b>	<b>2,428</b>
<b>Underlying result before tax .....</b>	<b>999</b>	<b>1,450</b>	<b>(666)</b>
Taxation .....	349	463	(252)
Minority interests .....	1	1	
<b>Underlying net result .....</b>	<b>649</b>	<b>986</b>	<b>(414)</b>
Divestments .....			
Special items .....			36
<b>Net result .....</b>	<b>649</b>	<b>986</b>	<b>(378)</b>

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

The underlying result before tax of ING Direct declined 31.1% to EUR 999 million in 2011 compared to EUR 1,450 million in 2010. The decrease was due to EUR 326 million higher impairments on debt securities (including EUR 346 million of impairments on Greek government bonds) and EUR 181 million of losses from the selective sale of mainly unsecured and ABS exposures in the investment portfolio. Underlying income decreased to EUR 3,423 million in 2011 from EUR 3,782 million in 2010, solely due to the above-mentioned impairments and losses. The interest result increased in 2011 by 2.4%, or EUR 91 million, driven by higher volumes, while the interest margin remained stable at 1.24%. The interest result in the US continued to benefit from the IFRS treatment on previously impaired bonds, which had a positive impact of EUR 168 million in 2011, down from EUR 230 million in 2010. The total net production in mortgages was EUR 12.4 billion in 2011 compared to EUR 11.0 billion in 2010, while funds entrusted reported a net inflow of EUR 13.7 billion. Operating expenses increased by 4.0% in 2011, reflecting higher marketing expenses (particularly in Germany, Italy, France and Spain) and higher costs to set up a limited number of branches in Spain and further roll-out of payment accounts in France, Italy and Canada. The addition to loan loss provisions increased to EUR 462 million in 2011, or 61 basis points of average risk-weighted assets, from EUR 446 million in 2010 (or 59 basis points of average risk-weighted assets). The increase was driven by the lower anticipated recovery rates in the US, partially offset by lower risk costs in Germany.

Both underlying net result and net result decreased to EUR 649 million in 2011 compared to EUR 986 million in 2010.

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

ING Direct delivered strong results in 2010 with a positive underlying result before tax of EUR 1,450 million, compared with a loss of EUR 666 million in 2009. This major improvement was driven by lower impairments on the investment portfolio, a higher interest result and lower additions to the loan loss provisions. Underlying income more than doubled, as impairments (mainly on the Alt-A RMBS portfolio in the US) declined to EUR 107 million compared to EUR 1,394 million in 2009. The interest result increased by 20.3%, or EUR 638 million, driven by higher volumes and increased margins on savings and mortgages. The interest result in the US benefited from the IFRS treatment on previously impaired bonds, which had a positive impact of EUR 230 million in 2010, up from EUR 99 million in 2009. Operating expenses increased by 13.4%, primarily reflecting higher marketing costs, the roll-out of payment accounts and increased staff costs. The addition to the provision for loan losses decreased to EUR 446 million, or 59 basis points of average risk-weighted assets from EUR 765 million in 2009 (or 112 basis points of average risk-weighted assets), supported by signs of stabilisation in the US housing market and US unemployment rate as well as diminishing delinquencies.

Underlying net result increased to EUR 986 million in 2010 from a loss of EUR 414 million in 2009. Net result rose to EUR 986 million in 2010 compared with a loss of EUR 378 million in 2009. The net result in 2009 included EUR 36 million of special items related to a one-off gain on the transfer of 80% economic ownership of ING Direct's Alt-A RMBS portfolio to the Dutch State, partially offset by costs for not launching ING Direct Japan and other restructuring expenses.

#### **RETAIL CENTRAL EUROPE**

	<b>Retail Central Europe</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(EUR millions)</i>		
Underlying income			
Interest result .....	705	670	675
Commission income .....	249	278	261
Investment and other income .....	74	28	(76)
<b>Total underlying income .....</b>	<b>1,028</b>	<b>976</b>	<b>860</b>

	Retail Central Europe		
	2011	2010	2009
	(EUR millions)		
Underlying expenditure			
Operating expenses .....	773	761	660
Additions to the provision for loan losses .....	97	61	116
<b>Total underlying expenditure .....</b>	<b>870</b>	<b>822</b>	<b>776</b>
<b>Underlying result before tax .....</b>	<b>158</b>	<b>154</b>	<b>84</b>
Taxation .....	30	31	29
Minority interests .....	29	20	5
<b>Underlying net result .....</b>	<b>99</b>	<b>103</b>	<b>50</b>
Divestments .....			
Special items .....			(6)
<b>Net result .....</b>	<b>99</b>	<b>103</b>	<b>44</b>

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

The underlying result before tax of Retail Central Europe rose 2.6% to EUR 158 million in 2011, driven by higher results in Poland, only partly offset by lower results in Turkey due to increased risk costs. Underlying income in Central Europe increased 5.2%, as higher income in Poland and Romania was partly offset by lower income in Turkey, mainly due to negative currency effects. Overall volumes in Poland remained relatively stable, while margins increased, particularly in savings and current accounts. In Turkey, a variable savings product was launched, which led to a slight decrease in margins and an increase in volumes. Both volumes and margins remained largely stable in Romania. Net production of lending in Central Europe was EUR 3.5 billion in 2011 compared to EUR 2.2 billion in 2010, while the net inflow of funds entrusted was EUR 2.2 billion. Operating expenses were up 1.6% driven by the increased client activity. The addition to loan loss provisions rose to EUR 97 million, or 42 basis points of average risk-weighted assets in 2011, compared with EUR 61 million, or 28 basis points of average risk-weighted assets, in 2010. Risk costs increased mainly in Turkey due to business growth, while the level in 2010 was low due to releases of specific provisions and improved data quality.

Both underlying net result and net result decreased to EUR 99 million in 2011 compared to EUR 103 million last year.

#### Year ended 31 December 2010 compared to year ended 31 December 2009

The underlying result before tax of Retail Central Europe rose 83.3% to EUR 154 million in 2010, driven by higher results in Poland and Romania, while results in Turkey declined compared with the strong performance in 2009. Underlying income in Central Europe rose 13.5% supported by higher volumes in all countries and improved interest margins in Poland and Romania. In Turkey, margins declined due to increased competition, while income was impacted by negative fair value changes on derivatives (not eligible for hedge accounting). Net lending production was EUR 2.2 billion in 2010 compared to EUR 1.3 billion in 2009, and inflow of funds entrusted amounted to EUR 0.3 billion. Operating expenses were up 15.3% in 2010 reflecting business growth and increased staff costs. Risk costs declined to EUR 61 million in 2010, or 28 basis points of average risk-weighted assets, from EUR 116 million (or 61 basis points of average risk-weighted assets) in 2009. The decline in the addition to the provision for loan losses occurred mainly in Turkey and Romania supported by the release of specific provisions and improved data quality.

Underlying net result increased to EUR 103 million in 2010 from EUR 50 million in 2009. Net result rose to EUR 103 million in 2010 compared with EUR 44 million in 2009. Net result in 2009 included EUR (6) million of special items, mainly related to the closure of the Ukraine retail activities.

## RETAIL ASIA

	Retail Asia		
	2010	2009	2008
	<i>(EUR millions)</i>		
Underlying income			
Interest result .....	143	169	110
Commission income .....	59	55	43
Investment and other income .....	73	62	43
<b>Total underlying income .....</b>	<b>275</b>	<b>286</b>	<b>196</b>
Underlying expenditure			
Operating expenses .....	173	180	132
Additions to the provision for loan losses .....	30	26	39
<b>Total underlying expenditure .....</b>	<b>203</b>	<b>206</b>	<b>171</b>
<b>Underlying result before tax .....</b>	<b>72</b>	<b>80</b>	<b>25</b>
Taxation .....	14	15	5
Minority interests .....	30	22	10
<b>Underlying net result .....</b>	<b>28</b>	<b>43</b>	<b>10</b>
Divestments .....		334	(63)
Special items .....			(2)
<b>Net result .....</b>	<b>28</b>	<b>377</b>	<b>(55)</b>

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

Retail Asia's underlying result before tax declined to EUR 72 million in 2011 from EUR 80 million in 2010. This decline was mainly the result of lower income, primarily as a result of unfavourable currency movements. Excluding currency impacts, underlying income was up 3%, driven by ING Vysya Bank in India, where higher interest results were coupled with increased fee income and higher other income. Net production in lending was EUR 1.2 billion in 2011, while the net inflow of funds entrusted was EUR 0.5 billion. The increased profit contribution from ING Bank's share in the result of TMB in Thailand and higher dividends from Bank of Beijing were offset by higher funding costs resulting in an overall decline of the interest result. Operating expenses declined 3.9% to EUR 173 million in 2011, but increased adjusted for currency effects, mainly as a result of business expansion in India. The addition to loan loss provisions rose by EUR 4 million to EUR 30 million, or 32 basis points of average risk-weighted assets, in 2011, mainly as a result of higher non-performing loans at ING Vysya Bank.

Underlying net result decreased to EUR 28 million in 2011 from EUR 43 million in 2010. Net result decreased to EUR 28 million from EUR 377 million in 2010, which included a net result of EUR 334 million related to the divestment of Private Banking Asia.

### Year ended 31 December 2010 compared to year ended 31 December 2009

Retail Asia's underlying result before tax more than tripled to EUR 80 million in 2010 from EUR 25 million in 2009. The strong improvement was mainly attributable to higher results from ING Vysya Bank, driven by higher volumes and margins, a one-off gain on the sale of an investment and lower risk costs. This was partly offset by higher expenses due to further investments in business growth and increased staff costs, including additional pension provisions. The result in Asia was supported by the increased profit contribution from ING Bank's share in the result of TMB in Thailand and higher dividends from Bank of Beijing and Kookmin Bank.

Underlying net result increased to EUR 43 million in 2010 from EUR 10 million in 2009. Net result rose to EUR 377 million in 2010 compared with a loss of EUR 55 million in 2009. The divestments in 2010 accounted for EUR 334 million related to the sale of Private Banking Asia at the beginning of 2010, compared to a loss of EUR 63 million in 2009 mainly related to the net result of the divested Private Banking Asia.

## COMMERCIAL BANKING excluding Real Estate

	Commercial Banking excluding Real Estate		
	2011	2010	2009
	(EUR millions)		
Underlying income			
Interest result .....	3,257	3,233	3,513
Commission income .....	933	910	811
Investment and other income .....	304	677	554
<b>Total underlying income .....</b>	<b>4,494</b>	<b>4,820</b>	<b>4,878</b>
Operating expenses .....	2,178	2,107	1,817
Additions to the provision for loan losses .....	330	387	967
<b>Total underlying expenditure .....</b>	<b>2,508</b>	<b>2,494</b>	<b>2,784</b>
<b>Underlying result before tax .....</b>	<b>1,986</b>	<b>2,326</b>	<b>2,094</b>
Taxation .....	398	483	373
Minority interests .....	26	28	29
<b>Underlying net result .....</b>	<b>1,562</b>	<b>1,815</b>	<b>1,692</b>
Divestments .....	420	39	9
Special items .....	(68)	(31)	(169)
<b>Net result .....</b>	<b>1,914</b>	<b>1,822</b>	<b>1,532</b>

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

The underlying result before tax of Commercial Banking excluding Real Estate decreased by 14.6% to EUR 1,986 million in 2011 compared to EUR 2,326 million in 2010.

The decline in the underlying result before tax of Commercial Banking excluding Real Estate was largely attributable to Financial Markets, whose result declined by EUR 420 million to EUR 499 million in 2011, partly caused by EUR 225 million of impairments on Greek government bonds taken in 2011. Excluding this impact, underlying result of Financial Markets declined by EUR 195 million (or -21.2%), following adverse market circumstances, as well as the winding down of the proprietary trading book in the US. Underlying result of General Lending and Payments and Cash Management (PCM) declined by 9.9% to EUR 410 million in 2011 from EUR 455 million in 2010. This was mainly driven by impairments on the restructuring portfolio, as well as higher expenses due to selective IT investments in PCM. The result of Structured Finance rose by 21.4% to EUR 1,139 million in 2011, driven by strong volume growth in the first half of 2011 resulting in higher interest results and commission income, while risk costs were lower. The result of Leasing & Factoring declined EUR 5 million to EUR 75 million in 2011 entirely due to higher risk costs.

Total underlying income of Commercial Banking excluding Real Estate was 6.8% lower than in 2010, declining to EUR 4,494 million, driven primarily by Financial Markets. Underlying operating expenses increased by 3.4% to EUR 2,178 million in 2011, mainly as a result of investments in PCM as well as higher



costs in Structured Finance. Provisions for loan losses were EUR 57 million lower in 2011, reaching EUR 330 million, or 27 basis points of average risk-weighted assets, compared to EUR 387 million in 2010.

Underlying net result declined to EUR 1,562 million in 2011 from EUR 1,815 million in 2010. Net result increased to EUR 1,914 million in 2011 from EUR 1,822 million in 2010. Divestments added EUR 420 million to the 2011 net result and included gains on the sale of ING Car Lease and IM Philippines, as well as operating results from the divested units. In 2010, divestments added EUR 39 million fully related to divested units. Special items, mainly restructuring provisions, were EUR (68) million in 2011 and EUR (31) million in 2010.

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

The underlying result before tax of Commercial Banking excluding Real Estate increased 11.1% to EUR 2,326 million in 2010 from EUR 2,094 million in 2009. The increased underlying result before tax of Commercial Banking excluding Real Estate was largely attributable to Structured Finance, the result of which increased threefold to EUR 938 million due to higher volumes and improved margins, combined with lower risk costs. Underlying result before tax from Financial Markets declined to EUR 919 million from EUR 1,289 million in 2009, mainly as a result of lower income in the client business following the normalisation of the markets, as well as higher expenses partly caused by an accrual adjustment related to the deferral of incentive compensation in 2009. The results of General Lending & PCM increased by 6.8%, as lower commission income and somewhat higher operating expenses were more than offset by significantly lower risk costs. Result before tax in Leasing & Factoring declined to EUR 80 million, driven by lower provisions for loan losses.

Total underlying income decreased to EUR 4,820 million in 2010 from EUR 4,878 million in 2009. Higher income at Structured Finance was offset by declines at General Lending & PCM, Financial Markets and Other Products. Underlying operating expenses increased 16.0% to EUR 2,107 million in 2010 partly caused by an accrual adjustment related to the deferral of incentive compensation in 2009 and despite lower impairments on real estate development projects.

Underlying net result increased to EUR 1,815 million in 2010 from EUR 1,692 million in 2009. Net result rose to EUR 1,822 million in 2010 compared with EUR 1,532 million in 2009. Special items in 2010 were EUR (31) million, mainly restructuring provisions. Divestments were EUR 39 million in 2010, related to operating results of divested units. The net result in 2009 included EUR (169) million of special items, mainly related to restructuring provisions as part of the Group initiative to reduce operating expenses. In 2009, divestments were EUR 9 million relating to operating results of ING Car Lease.

#### **ING REAL ESTATE**

	<b>ING Real Estate</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(EUR millions)</i>		
Underlying income			
Interest result.....	482	439	428
Commission income.....	44	28	6
Investment and other income.....	3	62	(654)
<b>Total underlying income.....</b>	<b>529</b>	<b>529</b>	<b>(220)</b>
Underlying expenditure			
Operating expenses.....	349	536	591
Additions to the provision for loan losses.....	146	102	239
<b>Total underlying expenditure.....</b>	<b>495</b>	<b>638</b>	<b>830</b>

	ING Real Estate		
	2011	2010	2009
<b>Underlying result before tax</b> .....	<b>34</b>	<b>(109)</b>	<b>(1,050)</b>
Taxation .....	87	27	(216)
Minority interests .....	(7)	4	29
<b>Underlying net result</b> .....	<b>(46)</b>	<b>(140)</b>	<b>(863)</b>
Divestments .....	453	17	(150)
Special items .....	(12)	(34)	(29)
<b>Net result</b> .....	<b>395</b>	<b>(157)</b>	<b>(1,042)</b>

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

ING Real Estate reported an underlying profit before tax of EUR 34 million in 2011, compared with an underlying loss of EUR 109 million in 2010. This improvement was mainly driven by a decrease in operating expenses, following a reduction in impairments on development projects. Negative fair value changes on the direct and indirect real estate investments as well as impairments on real estate development projects declined to EUR 273 million in 2011, compared with EUR 434 million in 2010. Excluding revaluations and impairments, underlying result before tax decreased by EUR 18 million to EUR 307 million in 2011 from EUR 325 million in 2010. This decline was primarily driven by EUR 44 million higher risk costs at Real Estate Finance, reaching EUR 146 million in 2011, or 116 basis points of average risk-weighted assets compared to 64 basis points of average risk-weighted assets in 2010. Higher income within Real Estate Finance was offset by lower income from project sales in Real Estate Development. Operating expenses, excluding impairments on development projects, declined by EUR 12 million.

Underlying net result improved to a loss of EUR 46 million in 2011 from a loss of EUR 140 million in 2010. Net result in 2011 was EUR 395 million, significantly up from a net loss of EUR 157 million in 2010. Divestments in 2011 were EUR 453 million, and included the gain on the divestment of ING Real Estate Investment Management as well as its operating results. Divestments in 2010 contributed EUR 17 million, related to the operating result of divested units as well as a loss on the divestment of ING's 50% stake in ING Summit Industrial Fund and the manager of Summit, ING Real Estate Canada. Special items in 2011 were a loss of EUR 12 million, related to restructuring activities in Real Estate, while special items in 2010 were a loss of EUR 34 million.

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

ING Real Estate reported an underlying loss before tax of EUR 109 million compared with a loss of EUR 1,050 million in 2009. This improvement was mainly due to the gradual stabilisation of market conditions, as evidenced by ING Real Estate showing a profit in the last quarter of 2010. Negative fair value changes on the direct and indirect real estate investments as well as impairments on real estate development projects declined to EUR 434 million in 2010, compared with EUR 1,190 million in 2009. Excluding revaluations and impairments, underlying result before tax increased to EUR 324 million in 2010 from EUR 140 million in 2009, mainly driven by improved operational results within Real Estate Finance business due to lower addition to the provision for loan losses, which were EUR 102 million in 2010 (or 64 basis points of average risk-weighted assets).

Underlying net result improved to a loss of EUR 140 million in 2010 from a loss of EUR 863 million in 2009. Net result in 2010 was a loss of EUR 157 million compared with a loss of EUR 1,042 million in 2009. Special items in 2010 were EUR (34) million, mainly related to restructuring activities within the unit, compared with EUR (29) million of special items in 2009. Divestments in 2010 were EUR 17 million, related to the operating result of the Real Estate Investment Management business and the divestment of ING's 50% stake in ING Summit Industrial Fund and the manager of Summit, ING Real Estate Canada in

2010. Divestments in 2009 were a loss of EUR 150 million, fully related to the operating results of the Real Estate Investment Management business and Summit.

## 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 2011, which are incorporated by reference herein.

The following table sets forth the consolidated statement of cash flows of ING Bank for the years ended 31 December 2011, 2010 and 2009:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(amount in millions of euros)</i>		
Result before tax .....	5,299	5,983	500
Adjusted for:			
- depreciation .....	1,338	1,533	1,488
- addition to loan loss provisions .....	1,670	1,751	2,973
- other .....	1,227	971	3,674
Taxation paid .....	(1,067)	(488)	(551)
Changes in:			
- amounts due from banks, not available on demand ..	2,208	(4,333)	8,611
- trading assets .....	1,662	(14,641)	47,893
- non-trading derivatives .....	1,407	(2,062)	827
- other financial assets at fair value through profit and loss .....	432	1,038	1,878
- loans and advances to customers .....	(26,392)	(19,665)	9,489
- assets held for sale .....			
- other assets .....	(2,095)	1,769	2,298
- amounts due to banks, not payable on demand .....	(6,731)	(9,831)	(67,410)
- customer deposits and other funds on deposit .....	30,569	21,052	14,266
- trading liabilities .....	(369)	9,804	(54,366)
- other financial liabilities at fair value through profit and loss .....	75	952	(2,557)
- liabilities held for sale .....			
- other liabilities .....	(310)	(4,919)	(4,733)
<b>Net cash flow from operating activities .....</b>	<b>(8,923)</b>	<b>(11,086)</b>	<b>(35,720)</b>
Investment and advances:			
- group companies .....			(5)
- associates .....	(35)	(104)	(70)
- available-for-sale investments .....	(155,004)	(89,614)	(58,424)
- held-to-maturity investments .....		(141)	
- real estate investments .....	(9)	(57)	(114)

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(amount in millions of euros)</i>		
- property and equipment .....	(422)	(450)	(541)
- assets subject to operating leases .....	(1,188)	(1,284)	(1,034)
- loan portfolio .....			
- other investments.....	(263)	(241)	(275)
Disposals and redemptions:			
- group companies .....	1,384	1,663	
- associates .....	263	88	108
- available-for-sale investments .....	155,826	88,333	62,669
- held-to-maturity investments .....	2,370	2,620	1,675
- real estate investments .....	83	289	648
- property and equipment .....	52	40	65
- assets subject to operating leases .....	43	53	93
- loan portfolio .....	927	105	18
- other investments.....		3	6
<b>Net cash flow from investing activities .....</b>	<b>4,027</b>	<b>1,303</b>	<b>4,819</b>
Proceeds from issuance of subordinated loans.....	2,363	944	1,931
Repayments of subordinated loans .....	(5,381)	(1,787)	(1,985)
Proceeds from borrowed funds and debt securities .....	382,664	318,206	419,224
Repayments from borrowed funds and debt securities ..	(380,424)	(308,939)	(397,639)
Issuance of ordinary shares/capital injection .....			150
Issuance of preference shares .....			
Payments to acquire treasury shares.....			
Sales of treasury shares.....			
Dividends paid .....	(3000)	(200)	
<b>Net cash flow from financing activities.....</b>	<b>(3,788)</b>	<b>8,224</b>	<b>21,681</b>
<b>Net cash flow .....</b>	<b>9,172</b>	<b>(1,559)</b>	<b>(9,220)</b>
Cash and cash equivalents at beginning of year .....	17,188	18,170	27,395
Effect of exchange rate changes on cash and cash equivalents.....	(143)	577	(5)
Cash and cash equivalents at end of year .....	<u>26,217</u>	<u>17,188</u>	<u>18,170</u>

At 31 December 2011 Cash and cash equivalents includes Cash and balances with central banks of EUR 28,112 million (2010: EUR 9,519 million; 2009: EUR 12,602 million). See Note 46 to the ING Bank consolidated financial statements for the year ended 31 December 2011.

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

At 31 December 2011 and 2010, ING Bank had EUR 26,217 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):

	<b>2011</b>	<b>2010</b>
	<i>(EUR millions)</i>	
Cash	28,112	9,519
Short dated government paper	2,611	4,442

	<b>2011</b>	<b>2010</b>
	<i>(EUR millions)</i>	
Banks on demand	(4,506)	3,227
<b>Cash balance and cash equivalents</b>	<b>26,217</b>	<b>17,188</b>

The EUR 20,009 million increase in ING Bank's net cash flow from operating activities consisted of EUR 8,923 million net cash inflow for the year ended 31 December 2011, compared to EUR 11,086 million net cash outflow for the year ended 31 December 2010.

The net cash flow from operating activities in 2011 was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 30,569 million compared to a cash inflow in 2010 of EUR 21,052 million), cash outflows from Amounts due to and from Banks (EUR 4,523 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 on-balance cash inflow from issued debt securities compared to 2010 and a dividend payment of EUR 3,000 million in 2011.

The operating, investing and financing activities described above resulted in a net cash inflow of EUR 9,172 in 2011 compared to a net cash outflow of EUR 1,559 million in 2010.

#### **Year ended 31 December 2010 compared to year ended 31 December 2009**

At 31 December 2010 and 2009, ING Bank had EUR 17,188 million and EUR 18,170 million, respectively, of Cash and cash equivalents. The decrease in Cash and cash equivalents is mainly attributable to the cash and bank balance positions with central banks.

Specification of cash position (EUR millions):

	<b>2010</b>	<b>2009</b>
	<i>(EUR millions)</i>	
Cash	9,519	12,602
Short dated government paper	4,442	3,181
Banks on demand	3,227	2,387
<b>Cash balance and cash equivalents</b>	<b>17,188</b>	<b>18,170</b>

The EUR 24,634 million improvement in ING Bank's net cash flow from operating activities, consist in 2010, consisted of EUR 11,086 million net cash outflow for the year ended 31 December 2010, compared to EUR 35,720 million net cash outflow for the year ended 31 December 2009.

Net cash flow from operating activities was largely affected by cash flows from amounts due to and from Banks (cash outflow of EUR 14,164 million compared to a cash outflow in 2009 of EUR 58,799 million) and a cash outflow of loans and advances to customers of EUR 19,665 million compared to a cash inflow in 2009 of EUR 9,489 million).

Net cash flow for investment activities was EUR 1.303 million cash inflow (2009: EUR 4,819 million cash inflow). Investment in interest-earning securities was EUR 89,614 million and EUR 58,424 million in 2010

and 2009, respectively. Disposals and redemptions of interest-earning securities was EUR 88,333 million and EUR 62,669 million in 2010 and 2009, respectively.

Net cash inflow from financing activities in 2010 amounted to EUR 8,224 million compared to a cash inflow in 2009 of EUR 21,681 million, and is mainly attributable to less on-balance cash inflow from debt securities in issue.

The operating, investment and financing activities described above resulted in a net cash outflow of EUR 1,559 million in 2010 compared to a net cash outflow of EUR (9,220) million in 2009:

## CAPITAL ADEQUACY

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

The following table sets forth the capital position of ING Bank at 31 December 2011, 2010 and 2009.

### Capital position of ING Bank N.V.

	2011	2010	2009
		(EUR millions)	
Shareholders' equity (parent).....	34,367	34,452	30,222
Minority interests .....	817	748	960
Subordinated loans qualifying as Tier 1 capital <sup>(1)</sup> .....	6,850	8,438	8,057
Goodwill and intangibles deductible from Tier 1 .....	(1,390))	(1,645))	(1,636))
Deductions Tier 1 .....	(1,014))	(1,069))	(1,073))
Revaluation reserve <sup>(2)</sup> .....	(1,008))	(1,592))	(2,516)
<b>Available capital – Tier 1 .....</b>	<b><u>38,622</u></b>	<b><u>39,332</u></b>	<b><u>34,015</u></b>
Supplementary capital – Tier 2 <sup>(3)</sup> .....	9,516	10,882	11,789
Deductions .....	(1,014))	(1,069))	(1,073))
<b>BIS capital .....</b>	<b><u>47,124</u></b>	<b><u>49,145</u></b>	<b><u>44,731</u></b>
Risk-weighted assets .....	330,421	321,103	332,375
Tier 1 ratio .....	11.69%	12.25%	10.23%
BIS ratio .....	14.26%	15.30%	13.46%
Required capital based on Basel I floor <sup>(4)</sup> .....	31,107	29,860	28,709
BIS ratio based on Basel I floor <sup>(4)</sup> .....	12.12%	13.17%	12.46%

Note:

- (1) Subordinated loans qualifying as Tier 1 capital have been placed by ING Groep N.V. with ING Bank N.V.
- (2) Includes revaluation debt securities, revaluation reserve cash flow hedge and revaluation reserves equity and real estate.
- (3) Includes eligible lower Tier-2 loans and revaluation reserves equity and real estate revaluations removed from Tier 1 capital.
- (4) Using 80% of Basel I risk weighted assets.
- (5) According to the regulatory definition.

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

ING 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 2011 and 31 December 2010. See Note 23 to the ING Bank N.V. consolidated financial statements for the year 31 December 2011.

	<u>Total 2011</u>	<u>Less than one year</u>	<u>More than one year</u>	<u>Total 2010</u>	<u>Less than one year</u>	<u>More than one year</u>
			(EUR millions)			
<b>ING Bank N.V.</b>						
Banking operations						
Contingent liabilities in respect of: .....						
- discounted bills.....	2	2		3	3	3
- guarantees .....	25,617	20,301	5,316	21,711	17,159	4,552
- irrevocable letters of credit .....	17,206	16,996	210	15,540	15,317	223
- other contingent liabilities.....	570	562	8	428	419	9
Irrevocable facilities .....	86,188	56,041	30,147	90,027	59,885	30,142
<b>Total .....</b>	<b><u>129,583</u></b>	<b><u>93,902</u></b>	<b><u>35,681</u></b>	<b><u>127,709</u></b>	<b><u>92,783</u></b>	<b><u>34,926</u></b>

## SELECTED STATISTICAL INFORMATION

The information in this section is unaudited and sets forth selected statistical information regarding the operations of ING Bank. Information for 2011, 2010 and 2009 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		
	2011	2010	2009
Return on shareholders' equity of ING Bank	11.6%	13.9%	2.2%
Return on assets of ING Bank	0.4%	0.5%	0.1%
Shareholders' equity to assets of ING Bank	3.6%	3.7%	3.4%
Net interest margin of ING Bank	1.4%	1.4%	1.3%

## 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 ING Bank consolidated financial statements. A reconciliation of the interest income, interest expense and net interest result figures to the corresponding line items in the ING Bank consolidated financial statements is provided hereunder.



## ASSETS

	Interest-earning assets								
	2011			2010			2009		
	Average balance (EUR millions)	Interest income	Average yield (%)	Average balance (EUR millions)	Interest income	Average yield (%)	Average balance (EUR millions)	Interest income	Average yield (%)
Time deposits with banks									
domestic .....	11,749	230	1.96%	13,814	110	0.8	12,306	200	1.6
foreign.....	27,186	603	2.22%	27,318	833	3.1	23,429	420	1.8
Loans and advances									
domestic .....	250,865	10,160	4.05%	242,009	9,608	4.0	267,815	10,120	3.8
foreign.....	396,057	15,410	3.89%	385,423	14,375	3.7	362,637	14,364	4.0
Interest-earning securities <sup>(1)</sup>									
domestic .....	28,450	920	3.23%	30,926	1,014	3.3	29,790	1,082	3.6
foreign.....	106,296	4,052	3.81%	107,564	4,287	4.0	106,673	4,807	4.5
Other interest-earning-assets									
domestic .....	22,649	363	1.60%	12,191	182	1.5	11,014	168	1.5
foreign.....	21,463	229	1.07%	20,535	183	0.9	22,572	222	1.0
<b>Total.....</b>	<b>864,715</b>	<b>31,967</b>	<b>3.70%</b>	<b>839,780</b>	<b>30,592</b>	<b>3.6</b>	<b>836,236</b>	<b>31,383</b>	<b>3.8</b>
Non-interest earning assets .....	44,403			54,008			60,073		
<b>Derivatives assets.....</b>	<b>53,350</b>			<b>62,585</b>			<b>66,750</b>		
<b>Total assets<sup>(1)</sup> .....</b>	<b>962,468</b>			<b>956,373</b>			<b>963,059</b>		
Percentage of assets applicable to foreign operations.....		65.9%			64.9%			61.8%	
Interest income on derivatives ....		33,132			38,356			48,828	
Other.....		104			4			137	
<b>Total interest income .....</b>		<b>65,204</b>			<b>68,952</b>			<b>80,348</b>	

Note:

(1) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

## LIABILITIES

	Interest-bearing assets								
	2011			2010			2009		
	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 .....	33,135	415	125%	26,922	249	0.9	32,892	596	1.8
foreign .....	16,306	399	2.45%	22,363	370	1.7	27,716	634	2.3
Demand deposits <sup>(1)</sup>									
domestic .....	42,599	211	0.50%	40,100	125	0.3	64,220	117	0.2
foreign .....	54,417	372	0.68%	55,505	383	0.7	50,236	599	1.2
Time deposits <sup>(1)</sup>									
domestic .....	25,658	306	1.19%	24,897	221	0.9	32,101	619	1.9
foreign .....	21,899	440	2.01%	20,064	364	1.8	26,848	694	2.6
Savings deposits <sup>(1)</sup>									
domestic .....	74,044	1,594	2.15%	72,830	1,459	2.0	64,817	1,835	2.8
foreign .....	283,367	5,761	2.03%	269,115	5,107	1.9	243,080	6,047	2.5
Short term debt									
domestic .....	29,200	285	0.98%	16,233	135	0.8	14,791	208	1.4
foreign .....	33,600	629	1.87%	50,221	699	1.4	48,246	732	1.5
Long-term debt									
domestic .....	59,603	2,236	3.75%	42,364	1,681	4.0	33,657	1,465	4.4
foreign .....	27,093	1,174	4.33%	27,424	1,180	4.3	23,682	999	4.2
Subordinated liabilities									
domestic .....	19,628	870	4.43%	22,287	1,031	4.6	21,558	999	4.6
foreign .....	971	50	5.15%	1,114	61	5.5	1,113	59	5.3
Other interest-bearing liabilities									
domestic .....	46,047	454	0.99%	47,047	279	0.6	51,811	642	1.2
foreign .....	51,753	653	1.26%	57,419	514	0.9	64,863	793	1.2
Total.....	819,320	15,849	1.93%	795,905	13,858	1.7	801,631	17,038	2.1
Non-interest-bearing liabilities .....	50,219			56,656			58,758		
Derivatives liabilities .....	58,447			69,751			73,694		
Total.....	927,986			922,312			934,083		
Group .....	34,482			34,061			28,976		
<b>Total liabilities and capital .....</b>	<b>962,468</b>			<b>956,373</b>			<b>963,059</b>		
Percentage of liabilities applicable to foreign operations .....		61.5%			63.3%			60.6%	
Other interest expense:									
interest expenses on derivatives.....		35,359			41,333			50,334	
other .....		412			174			214	
<b>Total interest expense .....</b>		<b>51,620</b>			<b>55,365</b>			<b>67,586</b>	
<b>Total net interest result .....</b>		<b>13,584</b>			<b>13,587</b>			<b>12,762</b>	

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.

	2011 over 2010			2010 over 2009		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-earning assets						
Time deposits to banks						
domestic.....	(16)	136	120	24	(114)	(90)
foreign .....	(4)	(226)	(230)	70	343	413
Loans and advances .....						
domestic.....	352	200	552	(975)	463	(512)
foreign .....	397	638	1,035	902	(891)	11
Interest-earning securities.....						
domestic.....	(81)	(13)	(94)	41	(109)	(68)
foreign .....	(51)	(184)	(235)	40	(560)	(520)
Other interest-earning assets.....						
domestic.....	156	25	181	18	(4)	14
foreign .....	8	38	46	(20)	(19)	(39)
Interest income.....						
domestic.....	411	348	759	(892)	236	(656)
foreign .....	350	266	616	991	(1,127)	(135)
<b>Total .....</b>	<b>761</b>	<b>615</b>	<b>1,375</b>	<b>100</b>	<b>(891)</b>	<b>(791)</b>
Other interest income .....			(5,123)			(10,605)
<b>Total interest income.....</b>			<b>(3,748)</b>			<b>(11,396)</b>

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

	<b>2011</b>	<b>2010</b>
	<b>Average</b>	<b>Average</b>
	<b>rate</b>	<b>rate</b>
	<b>%</b>	<b>%</b>
<b>Interest spread</b>		
domestic .....	1.8	1.9
foreign .....	1.7	1.9
Total.....	1.8	1.9
<b>Net interest margin</b>		
domestic .....	1.7	1.9
foreign .....	2.0	2.0
Total.....	1.9	2.0

	<u>2011 over 2010</u>			<u>2010 over 2009</u>		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
<b>Interest-bearing liabilities</b>						
Time deposits from banks						
domestic.....	57	109	166	(108)	(239)	(347)
foreign .....	(100)	129	29	(122)	(142)	(264)
Demand deposits						
domestic.....	8	78	86	(44)	52	8
foreign .....	(8)	(3)	(11)	63	(279)	(216)
Time deposits						
domestic.....	7	78	85	(139)	(259)	(398)
foreign .....	33	43	76	(175)	(155)	(330)
Savings deposits						
domestic.....	24	111	135	227	(603)	(376)
foreign .....	270	384	654	647	(1,587)	(940)
Short-term debt						
domestic.....	108	42	150	20	(93)	(73)
foreign .....	(231)	161	(70)	30	(63)	(33)
Long-term debt						
domestic.....	684	(129)	555	379	(163)	216
foreign .....	(14)	8	(6)	158	23	181)
Subordinated liabilities						
domestic.....	(123)	(38)	(161)	34	(2)	32)
foreign .....	(8)	(3)	(11)	0	2	2
Other interest-bearing liabilities						
domestic.....	(6)	181	175	(59)	(304)	(363)
foreign .....	(51)	190	139	(91)	(188)	(279)
Interest expense						
domestic.....	759	432	1,191	310	(1,611)	(1,301)
foreign .....	(109)	909	800	510	(2,389)	(1,879)
<b>Total .....</b>	<b>650</b>	<b>1,341</b>	<b>1,991</b>	<b>820</b>	<b>(4,000)</b>	<b>(3,180)</b>
Other interest expense .....			(5,736)			(9,041)
<b>Total interest expense.....</b>			<b>(3,745)</b>			<b>(12,221)</b>
Net interest						
domestic.....	(348)	(84)	(432)	(1,202)	1,847	645
foreign .....	459	(643)	(184)	482	1,262	1,744
<b>Net interest .....</b>	<b>111</b>	<b>(727)</b>	<b>(616)</b>	<b>(720)</b>	<b>3,109</b>	<b>2,389</b>
Other net interest result .....			613			(1,564)
<b>Net interest result.....</b>			<b>(3)</b>			<b>825</b>

## INVESTMENTS OF ING BANK

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

	<u>Year ended 31 December</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(EUR millions)		
<b>Debt securities available for sale</b>			
Dutch government .....	6,552	6,135	3,796
German government .....	10,423	6,929	5,230
Central banks .....	2,088	1,578	332
Belgian government.....	10,438	7,543	7,814
Other governments.....	19,593	27,861	28,402

	Year ended 31 December		
	2011	2010	2009
	<i>(EUR millions)</i>		
Banks and financial institutions .....	19,641	27,411	27,200
Other corporate debt securities .....	1,075	891	859
U.S. Treasury and other U.S. Government agencies .....	249	1,505	575
Other debt securities .....	<u>2,410</u>	16,606	14,292
<b>Total debt securities available for sale.....</b>	<b><u>72,469</u></b>	<b><u>96,459</u></b>	<b><u>88,500</u></b>
<b>Debt securities held to maturity</b>			
Dutch government .....			
German government .....	531	583	585
Other governments.....	350	367	701
Banks and financial institutions .....	7,630	9,637	11,963
Other corporate debt securities .....			
U.S. Treasury and other U.S. Government agencies .....			
Other debt securities .....	<u>357</u>	1,106	1,160
<b>Total debt securities held to maturity.....</b>	<b><u>8,868</u></b>	<b><u>11,693</u></b>	<b><u>14,409</u></b>
Shares and convertible debentures .....	2,466	2,741	3,682
Land and buildings <sup>(1)</sup> .....	<u>1,679</u>	1,891	3,647
<b>Total .....</b>	<b><u>85,482</u></b>	<b><u>112,784</u></b>	<b><u>110,238</u></b>

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 74% 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 <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>
	<i>(EUR millions)</i>	<i>(%)</i>	<i>(EUR millions)</i>	<i>(%)</i>	<i>(EUR millions)</i>	<i>(%)</i>
<b>Debt securities available for sale</b>						
Dutch government.....	1,650		2,127		2,775	
German government.....	207		4,893		4,781	
Belgian government .....	1,986		4,703		3,509	

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>
	(EUR millions)	(%)	(EUR millions)	(%)	(EUR millions)	(%)
Central banks .....	,2,088					
Other governments.....	3,194		9,010		5,952	
Banks and financial institutions .....	4,293		10,616		4,638	
Corporate debt securities .....	549		212		32	
U.S. Treasury and other U.S. Government agencies .....	0				249	
Other debt securities.....	385		560		246	
<b>Total debt securities available for sale.....</b>	<b>14,352</b>	<b>3.9</b>	<b>32,121</b>	<b>3.5</b>	<b>22,182</b>	<b>3.7</b>

	Over 10 years Book value	Yield <sup>(1)</sup>	Total Book value
	(EUR millions)	(%)	(EUR millions)
<b>Debt securities available for sale</b>			
Dutch government.....	0		6,552
German government.....	542		10,423
Belgian government .....	240		10,438
Central banks .....	0		2,088
Other governments.....	1,437		19,593
Banks and financial institutions .....	94		19,641
Corporate debt securities .....	282		1,075
U.S. Treasury and other U.S. Government agencies .....	0		249
Other debt securities.....	1,219		2,410
<b>Total debt securities available for sale.....</b>	<b>3,814</b>	<b>4.7</b>	<b>72,469</b>

Note:

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

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>
	(EUR millions)	(%)	(EUR millions)	(%)	(EUR millions)	(%)
<b>Debt securities held to maturity</b>						
Dutch government.....	0		0		0	
German government.....	431		100		0	

	1 year or less		Between 1 and 5 years		Between 5 and 10 years	
	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>	Book value	Yield <sup>(1)</sup>
	(EUR millions)	(%)	(EUR millions)	(%)	(EUR millions)	(%)
Belgian government .....	0		0		0	
Central banks .....	0		0		0	
Other governments .....	120		230		0	
Banks and financial institutions .....	1,762		5,768		100	
Corporate debt securities .....	0		0		0	
U.S. Treasury and other U.S. Government agencies .....	0		0		0	
Other debt securities .....	0		216		141	
<b>Total debt securities held to maturity .....</b>	<b>2,313</b>	<b>1.1</b>	<b>6,314</b>	<b>3.8</b>	<b>241</b>	<b>2.9</b>

	Over 10 years Book value	Yield <sup>(1)</sup>	Total Book value
	(EUR millions)	(%)	(EUR millions)
<b>Debt securities held to maturity</b>			
Dutch government .....	0		0
German government .....	0		531
Belgian government .....	0		0
Central banks .....	0		0
Other governments .....	0		350
Banks and financial institutions .....	0		7,630
Corporate debt securities .....	0		0
U.S. Treasury and other U.S. Government agencies .....	0		0
Other debt securities .....	0		357
<b>Total debt securities held to maturity .....</b>	<b>0</b>	<b>6.0</b>	<b>8,868</b>

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 2010, ING Bank also held the following securities for the banking operations that exceeded 10% of shareholders' equity:

	2011	
	Book value	Market value
	(EUR millions)	
Belgian government .....	10,438	10,438
German government .....	10,954	10,954

The following table sets forth the gross loans and advances to banks and customers at 31 December 2011, 2010, 2009, 2008 and 2007 under IFRS-EU:

IFRS-EU	Year ended 31 December				
	2011	2010	2009	2008	2007
	<i>(EUR millions)</i>				
By domestic offices:					
Loans guaranteed by public authorities .....	29,281	28,671	28,149	16,288	14,679
Loans secured by mortgages.....	168,382	161,937	159,990	158,861	141,314
Loans to or guaranteed by credit institutions ...	14,131	14,704	9,569	15,529	16,347
Other private lending.....	5,012	5,125	4,972	7,158	6,975
Asset backed securities.....	0	0	0	0	0
Other corporate lending.....	48,504	52,194	49,980	123,462	102,895
<b>Total domestic offices .....</b>	<b>265,310</b>	<b>262,631</b>	<b>252,660</b>	<b>321,298</b>	<b>282,210</b>
By foreign offices:					
Loans guaranteed by public authorities .....	25,867	27,282	22,933	10,099	8,961
Loans secured by mortgages.....	160,404	172,802	147,484	145,090	132,614
Loans to or guaranteed by credit institutions ...	37,816	40,120	36,869	23,099	31,211
Other private lending.....	19,389	16,618	14,988	20,389	17,784
Asset-backed securities .....	13,328	18,605	21,831	11,766	13,082
Other corporate lending.....	103,706	103,620	99,104	109,903	88,237
<b>Total foreign offices.....</b>	<b>360,510</b>	<b>379,047</b>	<b>343,209</b>	<b>320,346</b>	<b>291,889</b>
<b>Total gross loans and advances to banks and customers.....</b>	<b>625,820</b>	<b>641,678</b>	<b>595,869</b>	<b>641,644</b>	<b>574,099</b>



## 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 2011:

	1 year or less	1 year to 5 years	After 5 years	Total
	<i>(EUR millions)</i>			
By domestic offices:				
Loans guaranteed by public authorities .....	667	10,472	18,142	29,281
Loans secured by mortgages.....	10,197	17,559	140,626	168,382
Loans guaranteed by credit institutions .....	11,937	2,180	14	14,131
Other private lending.....	3,129	570	1,313	5,012
Asset-backed securities .....				
Other corporate lending.....	26,384	14,903	7,217	48,504
<b>Total domestic offices.....</b>	<b>52,314</b>	<b>45,684</b>	<b>167,312</b>	<b>265,310</b>
By foreign offices:				
Loans guaranteed by public authorities .....	13,976	4,935	6,956	25,867
Loans secured by mortgages.....	15,823	37,826	106,755	160,404
Loans guaranteed by credit institutions .....	22,661	11,666	3,489	37,816
Other private lending.....	10,330	5,584	3,475	19,389
Asset-backed securities .....	2,435	7,803	3,090	13,328
Other corporate lending.....	40,624	41,138	21,944	103,706
<b>Total foreign offices.....</b>	<b>105,849</b>	<b>108,952</b>	<b>145,709</b>	<b>360,510</b>
<b>Total gross loans and advances to banks and customers.....</b>	<b>158,163</b>	<b>154,636</b>	<b>313,021</b>	<b>625,820</b>

The following table analyses loans and advances to banks and customers by interest rate sensitivity by maturity at 31 December 2011:

	1 year or less	Over 1 year	Total
	<i>(EUR millions)</i>		
Non-interest earning.....	2,782	1,783	4,562
Fixed interest rate.....	68,313	148,713	217,026
Semi-fixed interest rate(1).....	6,279	169,456	175,735
Variable interest rate .....	80,793	147,701	228,494
<b>Total .....</b>	<b>158,167</b>	<b>467,653</b>	<b>625,820</b>

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 2011:

	<b>Total outstanding</b>
Private Individuals .....	41.3%

## 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 2011, 2010, 2009, 2008 and 2007 under IFRS-EU:

IFRS-EU	Year ended 31 December				
	2011	2010	2009	2008	2007
	<i>(EUR millions)</i>				
<b>Loans past due 90 days and still accruing interest</b>					
Domestic.....	5,292	5,758	3,865	2,799	1,159
Foreign .....	3,531	4,705	4,793	2,634	1,892
<b>Total loans past due 90 days and still accruing interest.....</b>	<b>8,823</b>	<b>10,463</b>	<b>8,658</b>	<b>5,433</b>	<b>3,051</b>

At 31 December 2011, EUR 8,810 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 11,308 million at 31 December 2011.

## 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 2011, 2010, 2009, 2008 and 2007 under IFRS-EU:

Loans and loan loss provisions	2011	2010
	<i>(EUR millions)</i>	
Loans past due 90 days.....	8,823	10,464

<b>Loans and loan loss provisions</b>	<b>2011</b>	<b>2010</b>
	<i>(EUR millions)</i>	
Other impaired loans .....	2,498	4,188
Total impaired loans (loans with a loan loss provision) .....	11,321	14,652
Potential problem loans .....	8,641	7,647
Total Impaired loans and potential problem loans.....	19,962	22,299
Loans neither impaired nor potential problem loans .....	605,858	619,379
<b>Total .....</b>	<b>625,820</b>	<b>641,678</b>
<b>This amount is presented in the balance sheet as:</b>		
Amounts due from .....	43,308	49,056
Loans and advances to customers .....	582,512	592,622
<b>Total .....</b>	<b>625,820</b>	<b>641,678</b>
Loan loss provisions included in:		
Amounts due from .....	7	21
Loans and advances to customers .....	<u>4,943</u>	5,174
<b>Total loan loss provisions .....</b>	<b><u>4,950</u></b>	<b>5,195</b>
	<b>2011</b>	<b>2010</b>
<b>Loans and advances by customer type:</b>		
Loans secured by public authorities .....	55,148	55,953
Loans secured by mortgages .....	328,786	334,739
Loans guaranteed by credit institutions .....	8,639	8,664
Personal lending.....	24,401	21,743
Asset-backed securities.....	13,328	18,605
Corporate loans .....	152,210	152,918
<b>Total .....</b>	<b>625,820</b>	<b>592,622</b>
	<b>2011</b>	<b>2010</b>
<b>Loan loss provisions by customer type:</b>		
Loans secured by public authorities .....	3	3
Loans secured by mortgages .....	1,215	1,599
Loans guaranteed by credit institutions .....	9	23
Personal lending.....	716	667
Asset-backed securities.....	20	0

	2011	2010
Corporate loans .....	3,007	2,903
<b>Total</b> .....	<b>4,950</b>	<b>5,195</b>

	2011	2010
<b>Increase in loan loss provision by customer type:</b>		
Loans secured by public authorities .....	0	0
Loans secured by mortgages .....	(384)	243
Loans guaranteed by credit institutions .....	(14)	(24)
Personal lending.....	49	(23)
Asset-backed securities .....	2	(15)
Corporate loans .....	104	615
<b>Total</b> .....	<b>(245)</b>	<b>796</b>

The net increase in loan loss provision includes:

Increase in loan loss provision (P&L).....	1,670	1,751
Write-offs and other.....	(1,915)	(955)
<b>Total</b> .....	<b>(245)</b>	<b>796</b>

### 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 at 31 December 2011, 2010, 2009, 2008 and 2007 under IFRS-EU:

IFRS-EU	Year ended 31 December				
	2011	2010	2009	2008	2007
	<i>(EUR millions)</i>				
Troubled debt restructurings:					
Domestic.....	966	1,253	782	51	45
Foreign .....	743	2,165	1,271	354	47
<b>Total troubled debt restructurings .....</b>	<b>1,709</b>	<b>3,418</b>	<b>2,053</b>	<b>405</b>	<b>92</b>

### Interest Income on Troubled Debt Restructurings

The following table sets forth the gross interest income that would have been recorded during the year ended 31 December 2010 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 2011:

	Year ended 31 December 2011		
	<i>(EUR millions)</i>		
	Domestic Offices	Foreign Offices	Total
Interest income that would have been recognised under the original contractual terms.....	18	21	39
Interest income recognised in the profit and loss account .....	17	4	21

### Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 8,641 million at 31 December 2011. Of this total, EUR 5,982 million relates to domestic loans and EUR 2,659 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 Bank'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 2011, 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 2011, 2010 and 2009 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 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

Year ended 31 December 2009

	Government & official institutions	Banks & other financial Institutions	Commercial industrial	Other	Total	Cross-border commitments
			(EUR millions)			
United Kingdom.....	125	12,285	22,023	1,599	36,032	4,292
United States.....	46	2,245	9,132	7,405	18,828	10,153
France .....	7,758	9,541	4,178	1,955	23,432	2,184
Germany .....	5,736	5,533	4,399	3,459	19,127	7,347
Italy .....	11,211	4,812	3,360	934	20,317	1,890
Spain .....	2,289	8,010	5,583	106	15,988	1,404
Belgium .....	1,916	5,959	7,197	2,383	17,455	15,411

As of December 2011, Belgium had cross-border outstandings between 0.75% and 1% of total assets and Italy and Spain had cross-border outstandings between 0.40% and 0.50%, and 0.50% and 0.75%, respectively. In 2010, Italy, Spain and Belgium had cross-border outstandings between 0.75% and 1% of total assets.

### Summary of Loan Loss Experience

For further explanation on loan loss provision, see "Loan Loss Provisions" in Note 2.1 to the ING Bank consolidated financial statements.

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 2011, 2010, 2009, 2008 and 2007 under IFRS-EU:

IFRS-EU	Calendar period				
	2011	2010	2009	2008	2007
	<i>(EUR millions)</i>				
Balance at 1 January.....	5,195	4,399	2,611	2,001	2,642
Change in the composition of the Group.....	(3)		(3)	1	(98)
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities.....					
Loans secured by mortgages.....	(129)	(86)	(79)	(34)	(22)
Loans to or guaranteed by credit institutions.....	(14)	(30)	(55)	(36)	(11)
Other private lending.....	(56)	(65)	(140)	(126)	(115)
Other corporate lending.....	(343)	(277)	(229)	(133)	(189)
Foreign:					
Loans guaranteed by public authorities.....	(6)	(8)	(12)	(16)	(25)
Loans secured by mortgages.....	(50)	(56)	(5)	(6)	(11)
Loans to or guaranteed by credit institutions.....	(3)	(5)	(1)		(2)
Other private lending.....	(452)	(404)	(259)	(114)	(104)
Other corporate lending.....	(251)	(235)	(437)	(263)	(473)
Total charge-offs.....	(1,304)	(1,166)	(1,217)	(728)	(952)
Recoveries:					
Domestic:					
Loans guaranteed by public authorities.....					
Loans secured by mortgages.....	36	23	2		
Loans to or guaranteed by credit institutions.....					2
Other private lending.....	11	29	101	36	3
Other corporate lending.....	28	9	4		1
Foreign:					
Loans guaranteed by public authorities.....					
Loans secured by mortgages.....	1	1			1
Loans to or guaranteed by credit institutions.....		3			
Other private lending.....	29	29	24	27	30
Other corporate lending.....	7	11	17	27	23
Total recoveries.....	112	105	148	90	59
Net charge-offs.....	(1,192)	(1,061)	(1,069)	(638)	(893)

IFRS-EU	Calendar period				
	2011	2010	2009	2008	2007
	(EUR millions)				
Additions and other adjustments (included in value Adjustments to receivables of the banking operations).....	950	1,857	2,860	1,247	154
<b>Balance at 31 December .....</b>	<b>4,950</b>	<b>5,195</b>	<b>4,399</b>	<b>2,611</b>	<b>2,001</b>
Ratio of net charge-offs to average loans and advances to banks and customers.....	0.19%	0.17%	0.17%	0.10%	0.16%

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 2011, 2010, 2009, 2008 and 2007 under IFRS-EU:

IFRS-EU	Year ended 31 December									
	2011		2010		2009		2008		2007	
	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )
(EUR millions)										
<b>Domestic:</b>										
Loans guaranteed by public authorities .....	1	4.68	4.47		4.72		2.54		2.56	
Loans secured by mortgages .....	503	26.91	416	25.24	290	27.54	167	24.76	96	24.62
Loans to or guaranteed by credit institutions...	4	2.25	17	2.29		1.61	68	2.42	11	2.85
Other private lending.....	119	0.80	131	0.80	254	0.83	120	1.12	181	1.21
Other corporate lending.....	1,375	7.75	1,385	8.13	917	7.70	474	19.24	377	17.91
Total domestic .....	2,002	42.39	1,949	40.93	1,461	42.4	829	50.08	665	49.15
<b>Foreign:</b>										
Loans guaranteed by public authorities .....	2	4.13	3	4.25	3	3.85	2	1.57	1	1.56
Loans secured by mortgages .....	712	25.63	1,183	26.93	1,066	23.90	425	22.61	203	23.10
Loans to or guaranteed by credit institutions...	5	6.05	6	6.7	47	6.78	17	4.02	3	5.56
Other private lending.....	596	3.10	536	2.59	436	2.52	533	3.18	374	3.10
Mortgage-backed securities.....	2	2.13	0	2.37	15	2.99				
Other corporate .....	1,631	16.57	1,518	16.23	1,371	17.56	805	18.54	755	17.53



## IFRS-EU

## Year ended 31 December

	2011		2010		2009		2008		2007	
	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )	(EUR)	(% <sup>(1)</sup> )
	(EUR millions)									
lending.....										
Total foreign .....	2,948	57.61	3,246	59.07	2,938	57.60	1,782	49.92	1,336	50.85
<b>Total .....</b>	<b>4,950</b>	<b>100.00</b>	<b>5,195</b>	<b>100.00</b>	<b>4,399</b>	<b>100.00</b>	<b>2,611</b>	<b>100.00</b>	<b>2,001</b>	<b>100.00</b>

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 2.7% to EUR 569,312 million at 31 December 2011, compared to EUR 585,340 million at 31 December 2010. 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 31% of the category "Debt securities" (40% at the end of 2010). 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:

	2011		2010		2009	
	Average deposit	Average rate	Average deposit	Average rate	Average deposit	Average rate
	(EUR millions)	(%)	(EUR millions)	(%)	(EUR millions)	(%)
<b>Deposits by banks</b>						
In domestic offices:						
Demand – non-interest-bearing .....	2,502		5,646		6,006	
– interest-bearing .....	5,930	1.0	4,646	1.0	5,556	1.0
Time .....	33,158	1.2	26,926	0.9	32,941	1.8
Other .....	10,546	1.9	9,681	1.5	10,869	1.7
Total domestic offices .....	52,136		46,899		55,372	
In foreign offices:.....						
Demand – non-interest-bearing .....	1,561		1,468		1,599	
– interest-bearing .....	5,851	1.6	5,932	1.01	5,553	1.4

	2011		2010		2009	
	Average deposit	Average rate	Average deposit	Average rate	Average deposit	Average rate
	(EUR millions)	(%)	(EUR millions)	(%)	(EUR millions)	(%)
Time .....	15,662	2.4	21,648	1.7	26,532	2.3
Other .....	9,981	1.6	14,832	3.8	26,455	4.3
Total foreign offices .....	33,055		43,880		60,139	
<b>Total deposits by banks .....</b>	<b>85,191</b>		<b>90,779</b>		<b>115,511</b>	
<b>Customer accounts</b>						
In domestic offices: .....						
Demand – non-interest-bearing .....	782		723		12,005	
– interest-bearing .....	47,157	0.5	43,536	0.3	57,162	0.3
Savings .....	73,964	2.2	72,717	2.0	64,731	2.8
Time .....	25,628	1.2	24,738	0.9	31,867	1.9
Other .....	6,545	0.9	8,614	0.5	6,965	1.3
Total domestic offices .....	154,076		150,328		172,730	
In foreign offices: .....						
Demand – non-interest-bearing .....	6,422		6,295		6,160	
– interest-bearing .....	50,197	0.9	56,865	0.8	50,956	1.2
Savings .....	257,262	2.2	269,115	1.9	243,080	2.5
Time .....	21,716	2.0	19,794	1.8	26,529	2.6
Other .....	5,715	3.6	6,296	3.9	2,618	5.9
Total foreign offices .....	341,312		358,365		329,343	
<b>Total customers accounts .....</b>	<b>495,388</b>		<b>508,693</b>		<b>502,073</b>	
<b>Debt securities</b>						
In domestic offices: .....						
Debentures .....	53,963	3.1	36,522	3.1	27,705	3.4
Certificates of deposit .....	23,915	0.9	11,546	0.8	10,406	1.2
Other .....	5,320	1.4	4,719	0.9	4,449	1.8
Total domestic offices .....	83,198		52,787		42,560	
In foreign offices: .....						
Debentures .....	10,676	5.4	10,886	4.9	8,343	3.5
Certificates of deposit .....	17,195	2.5	35,748	1.3	33,322	1.8
Other .....	21,248	1.2	19,111	1.3	19,263	1.6
Total foreign offices .....	49,119		65,745		60,928	
<b>Total debt securities .....</b>	<b>132,317</b>		<b>118,532</b>		<b>103,488</b>	

For the years ended 31 December 2011, 2010 and 2009, the aggregate amount of deposits by foreign depositors in domestic offices was EUR 46,778 million, EUR 47,019 million and EUR 47,229 million, respectively.

On 31 December 2011, 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 .....	17,610	86.8	49,446	84.9
6 months or less but over 3 months.....	2,170	10.7	3,904	6.7
12 months or less but over 6 months.....	484	2.4	3,392	5.8
Over 12 months.....	30	0.1	1,476	2.6
Total .....	<b>20,294</b>	<b>100</b>	<b>58,218</b>	<b>100</b>

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices at 31 December 2011:

	(EUR millions)
Time certificates of deposit .....	10,405
Other time deposits .....	56,990
Total .....	<b>67,395</b>

### Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within 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		
	2011	2010	2009
	(EUR millions, except % data)		
<b>Commercial paper</b>			
Balance at the end of the year.....	21,967	20,517	18,225
Monthly average balance outstanding during the year.....	21,908	19,176	19,264
Maximum balance outstanding at any period end during the year....	22,921	21,370	22,531
Weighted average interest rate during the year.....	1.25%	1.47%	1.07%
Weighted average interest rate on balance at the end of the year .....	1.24%	1.38%	1.13%
<b>Securities sold under repurchase agreements</b>			
Balance at the end of the year.....	54,886	61,468	67,193
Monthly average balance outstanding during the year.....	59,865	79,927	92,523
Maximum balance outstanding at any period end during the year....	79,547	96,496	138,528
Weighted average interest rate during the year.....	1.30%	0.73%	1.30%
Weighted average interest rate on balance at the end of the year .....	1.38%	0.94%	1.80%

## GENERAL INFORMATION

### Ratings

The Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") of A+, a senior debt rating from Moody's France SAS ("Moody's") of Aa3 (under review) and a senior debt rating from Fitch Ratings Ltd. ("Fitch") of A+.

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. Over the course of the past year, the Issuer has from time to time been subject to its ratings being lowered.

On 15 February 2012, Moody's announced that it has placed ING Bank N.V., together with 113 other financial institutions in 16 European countries, on review for potential credit rating downgrade. Moody's has indicated that for most of these banks, the reviews are expected to result in downgrades of credit ratings by one to three notches. Moody's has indicated that, as a whole, the ratings review for the group of European financial institutions is driven by the combined pressures from (i) the adverse and prolonged impact of the Euro area crisis, which makes the operating environment very difficult for European banks; (ii) the deteriorating creditworthiness of Euro area sovereigns; and (iii) longer-term, the substantial challenges faced by banks and securities firms with significant capital market activities.

### Significant or Material Adverse Change

At the date hereof, there has been no significant change in the financial or trading 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 2011, except for (i) the completion of the sale of ING Direct USA, as completed and announced on 17 February 2012, (ii) the judgment of the General Court of the European Union concerning ING's appeal against the European Commission's 2009 decision regarding ING's restructuring plan, as published on 2 March 2012, (iii) the provision for a potential settlement following discussions with US authorities, including the Office of Foreign Assets Control, as published on 9 May 2012, and (iv) the potential consequences of the decision of the European Commission to appeal against the decision of the General Court of the European Union by which the original European Commission decision of November 2009 was annulled, the decision of the European Commission to anew approve ING's state aid on the basis of the original restructuring plan from 2009 and the decision of the European Commission to start an in-depth investigation and market consultation on three issues, as published by the European Commission on 11 May 2012 and further described in the section entitled "Description of ING Bank N.V. – Transactions with the Dutch State – ING's appeal against the EC decision".

### 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. At this moment, it is 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 European Commission's decision regarding ING's restructuring plan. In its appeal, ING contests the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general. In July 2011 the appeal case was heard orally by the General Court of the European Union. On 2 March 2012, the General Court partially annulled the Commission's decision of 18 November 2009 and as a result a new decision must be issued by the Commission. Interested parties can file an appeal against the General Court's judgment before the Court of Justice of the European Union within two months and ten days after the date of the General Court's judgment. On 8 May 2012, the Commission announced that it will lodge an appeal against the General Court's decision.

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 not been substantiated yet. ING will defend itself against this claim; at this time ING is not able to assess the future outcome. 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 Dienstbond*) and a number of individual pensioners, instituted legal proceedings against ING's decision not to provide funding for indexing pensions insured with Stichting Pensioenfonds ING (the Dutch ING Pension Fund) per 1 January 2011. 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. It is not feasible to predict the ultimate outcome of these legal proceedings, although legal proceedings instituted by Stichting Pensioenfonds ING on the same issue were ruled in ING's favour. 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 addition to the foregoing procedures, ING Bank remains in discussions with authorities in the US concerning ING Bank's compliance with Office of Foreign Asset Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice

and the New York County District Attorney's Office. ING Bank is cooperating fully with the ongoing investigations and is engaged in discussions to resolve these matters with the US authorities. On 9 May 2012, ING Bank announced that those discussions have advanced to the point where it is appropriate for ING Bank to take a provision for a potential settlement.

### **Auditors**

The financial statements of the Issuer for the financial years ended 31 December 2011, 31 December 2010 and 31 December 2009, respectively, have been audited by Ernst & Young Accountants LLP. The auditors of Ernst & Young Accountants LLP are members of the Koninklijk Nederlands Instituut van Registeraccountants (*NIVRA*), 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 2011 dated 12 March 2012, an unqualified auditors' report on the financial statements for the financial year ended 31 December 2010 dated 14 March 2011 and an unqualified auditors' report on the financial statements for the financial year ended 31 December 2009 dated 15 March 2010.

The auditors' reports in respect of the financial years ended 31 December 2011, 31 December 2010 and 31 December 2009, 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 3,000 million in 2011, EUR 200 million in 2010, no dividend in 2009, EUR 4,250 million in 2008 and EUR 1,300 million in 2007.

### **Market Information**

This document cites market share information published by third parties, including from the following sources: Greenwich Associates, Leaseurope, Incompany 100 Business Finance survey 2011 and Leasing World.

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