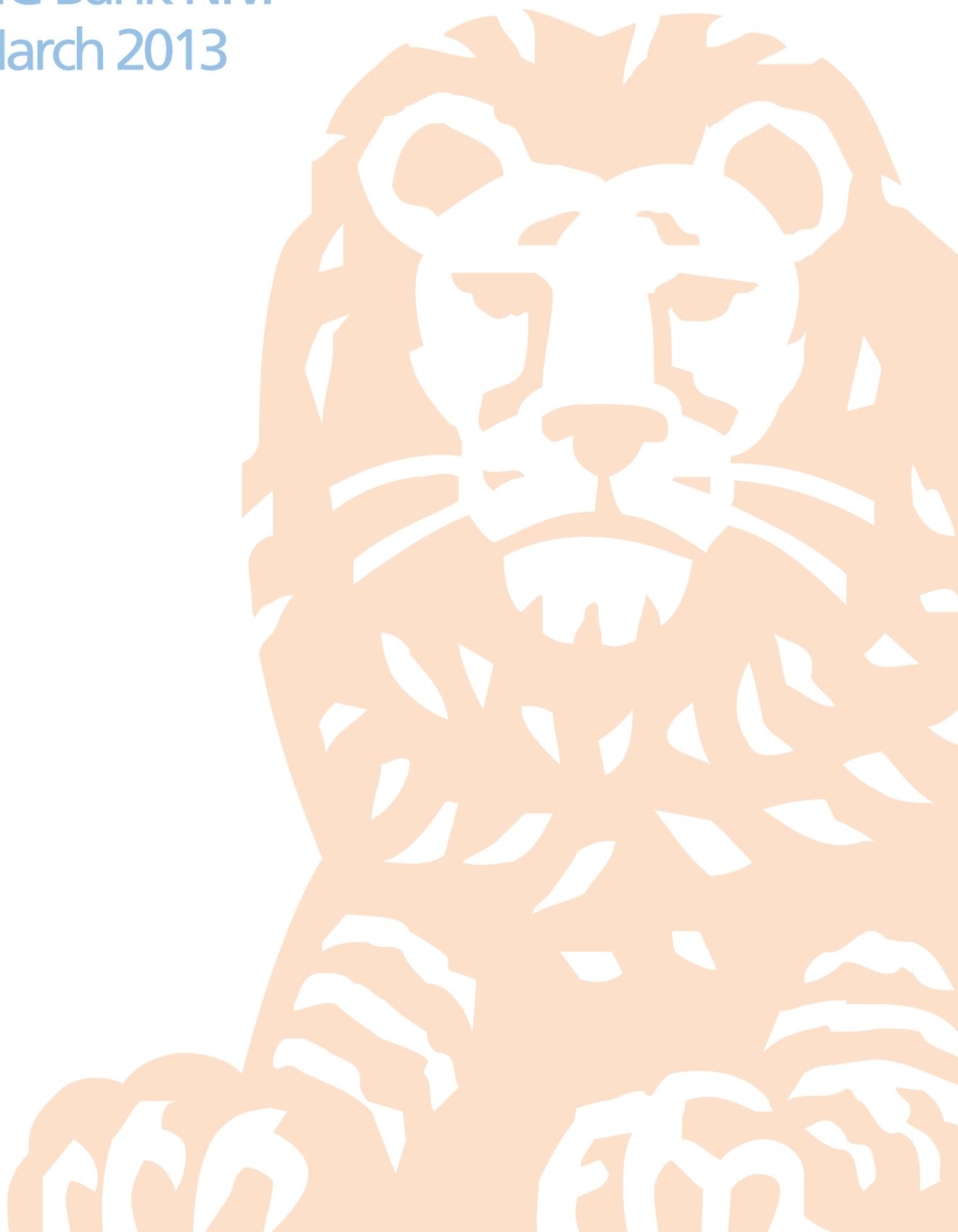




Application of the Dutch Banking Code
by ING Bank N.V.
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1 Introduction

In September 2009, the Dutch Banking Association (NVB) published the Banking Code (Code Banken). The Banking Code lays out the principles for Dutch banks in terms of corporate governance, risk management, audit and remuneration.

The Banking Code is a form of self-regulation that took effect on 1 January 2010 on a 'comply or explain' basis, and was drawn up in response to a report entitled 'Restoring Trust' ('Naar herstel van vertrouwen'), published in April 2009 by the Advisory Committee on the Future of Banks (Adviescommissie Toekomst Banken) in the Netherlands.

The Banking Code applies to all activities in the Netherlands performed by banks that are in possession of a banking licence granted under the Financial Supervision Act (Wet op het financieel toezicht (Wft)), irrespective of whether they perform their activities in the Netherlands or in another Member State, and irrespective of whether those activities are performed by a branch.

Accordingly, ING applies the Banking Code within the following legal entities that hold a Dutch banking license:

- ING Bank N.V.
- ING Direct N.V.
- Bank Mendes Gans N.V.

Pursuant to a decision of the European Commission of 18 November 2009 with respect to state support that was received by ING, ING is obliged to divest certain banking activities in the Netherlands ("WestlandUtrecht Hypotheekbank N.V./ Interadvies"). As a first step to divestment these business activities are held-separate per 18 November 2010. This applies to the following entities: WestlandUtrecht Hypotheekbank N.V., WestlandUtrecht Effectenbank N.V. and Nationale-Nederlanden Financiële Diensten B.V. Therefore these entities will have to apply the Banking Code on their own accord and are not included in this booklet.

Banks that are part of a group can apply parts of the Banking Code at group level or on a consolidated basis. The Management Board Banking has decided to apply the corporate governance principles of the Banking Code at the consolidated level, i.e. for the Management Board Banking and Supervisory Board of ING Bank N.V. The remuneration principles, insofar as they relate to executive remuneration, also apply to the members of the Executive Board of ING Groep N.V. Other principles relating to risk management (including the product approval process), customer due care, business principles and remuneration are or will be implemented for all entities in the ING banking organisation for which ING has management control.

In this booklet ING reports on how the principles of the Banking Code are applied by ING Bank (including ING Direct N.V. and Bank Mendes Gans N.V.). ING Bank strongly supports the principles of the Banking Code as an important step by the banking sector to regain trust, ensure stability and protect the interests of our stakeholders. Regaining trust requires a sustainable approach and continuous attention. Following the significant steps taken to comply with the principles of the Banking Code in 2010 and 2011, ING has continued its efforts over the financial year 2012. As an international bank with global activities, ING Bank has taken its entire operational environment into account when applying the principles of the Banking Code. ING Bank recognizes that complying with these principles will be an on-going process.

2 Supervisory Board

2.1 Composition and expertise

General

Text Banking Code	Implementation by ING
<p>2.1.1 The supervisory board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board, independence and diversity are preconditions for the supervisory board to perform its tasks properly.</p>	<p>ING applies this principle. The composition of the Supervisory Board of ING allows the board to fulfil its tasks properly. The Supervisory Board consists presently of twelve members. The diversity in the composition of the Supervisory Board is among others reflected in, gender, age and professional background. The broad diversity in professional background of the members of the board ensures the complementary profile of the board. The Supervisory Board acts as a collegial body. While decisions are formally taken by majority, the board in principle acts on a consensus basis. All members of the Supervisory Board except one meet the independence criteria as laid down in the Dutch Corporate Governance Code, which is compliant with the last mentioned code. Each year the Supervisory Board performs a self-assessment, a.o. on the composition of the Board. Moreover, in the context of balancing all statutory requirements and the overall profile of the Supervisory Board, the Supervisory Board aims at adding a third female member to the Supervisory Board.</p> <p>The Charter of the Supervisory Board of ING Bank N.V. has been amended in accordance with this principle.</p>
<p>2.1.2 The supervisory board shall have a sufficient number of members to properly perform its function, including in its committees. The appropriate number of members depends on the nature, size and complexity of the bank.</p>	<p>ING applies this principle. The number of Supervisory Board members of ING is sufficient to fulfil the tasks of the Supervisory Board and its committees. Each year the Supervisory Board assesses whether it still consists of a sufficient number of members - taking into account the various committees within the Supervisory Board - to properly perform its function. Next to this, the Charter of the Supervisory Board of ING Bank N.V. has been amended accordingly.</p>
<p>2.1.3 The members of the supervisory board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank.</p> <p>The supervisory board shall carefully consider the interests of all parties involved in the bank, such as the bank's clients, its shareholders and its employees.</p>	<p>ING applies this principle. Each Supervisory Board member follows a tailor-made introduction programme shortly after his/her appointment to become better acquainted with ING and his/her role as a Supervisory Board member. ING introduced a regular Knowledge Day for Supervisory Board members to acquire additional in-depth knowledge regarding general developments in the financial market, customer care, commercial activities, risk management and regulatory developments. In 2012 cybercrime, sustainable banking and future economic scenarios were among the topics discussed during the Knowledge Day. In addition, duty of care towards the client, financial reporting, risk management, succession planning, De Nederlandsche Bank Supervision policy, corporate governance as well as a visit to business units have been part of the Permanent Education programme for the Supervisory Board.</p> <p>The bank's function in society and interests of all stakeholders are taken into account by the Supervisory Board in performing its duties.</p> <p>The Charter of the Supervisory Board of ING Bank N.V. and the Supervisory Board profile has been amended accordingly.</p>

Text Banking Code	Implementation by ING
<p>2.1.4 Each member of the supervisory board shall be capable of assessing the main aspects of the bank's overall policy in order to form a balanced and independent opinion about the basic risks involved.</p> <p>Each member of the supervisory board shall also possess the specific expertise needed to perform his or her role in the supervisory board.</p> <p>To this end, whenever a vacancy arises on the supervisory board, an individual profile shall be drawn up for the new member of the board.</p>	<p>ING applies this principle. In order to support the Supervisory Board members in assessing the main aspects of the bank's overall policy in order to form a balanced and independent opinion about the basic risks involved, risk management is a key topic in the Supervisory Board introduction programme and the Permanent Education Programme. In addition to the Permanent Education Programme, individual Supervisory Board member expertise is also addressed in the annual self-evaluation of the Supervisory Board and in the individual profile for the appointment of new Supervisory Board members.</p> <p>This principle has been laid down in the Charter of the Supervisory Board of ING Bank N.V. In 2012 three new Supervisory Board members were appointed to the Supervisory Board. Next to the general Supervisory Board profile, individual profiles were used in the selection, which was based on expertise that was complementary to the current Supervisory Board.</p> <p>For more information on the Supervisory Board profile, Go to www.ing.com.</p>
Text Banking Code	Implementation by ING
<p>2.1.5 As part of the process to fill the vacancy of chairman of the supervisory board, an individual profile shall be drawn up that also focuses on the bank's requirements in terms of expertise and experience in relation to the financial sector and familiarity with the socio-economic and political culture and the social environment of the bank's main markets.</p>	<p>ING applies this principle. A profile was drawn up for the chairman of the Supervisory Board that focuses on the bank's requirements in terms of expertise and competences.</p>
Text Banking Code	Implementation by ING
<p>2.1.6 Each member of the supervisory board – the chairman in particular – shall be sufficiently available and contactable to properly perform his or her tasks in the supervisory board and the supervisory board's committees.</p>	<p>ING applies this principle. The members of the Supervisory Board of ING are sufficiently available and accessible to fulfil their tasks. The members of the Supervisory Board availability is a.o. reflected in the attendance lists of the Supervisory Board meetings. In 2012 on average 94% of the Supervisory Board members were present at the Supervisory Board and committee meetings. Outside these meetings various topics are discussed by e-mail or by phone or individual Supervisory Board members visit the ING offices upon request or on their own initiative. All members of the Supervisory Board also have an ING e-mail address.</p> <p>ING has amended the Charter of the Supervisory Board of ING Bank N.V. to implement this principle.</p>
Text Banking Code	Implementation by ING
<p>2.1.7 Each member of the supervisory board shall receive suitable compensation for the amount of time that he or she spends on supervisory board activities. This compensation shall not depend on the bank's results.</p>	<p>ING applies this principle and has amended the Charter of the Supervisory Board of ING Bank N.V. accordingly. The compensation of Supervisory Board members of ING does not depend on the bank's results. Information on remuneration of the Supervisory Board will be disclosed in ING's remuneration report in the 2012. Go to www.ing.com.</p>

Text Banking Code	Implementation by ING
<p>2.1.8 The chairman of the supervisory board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the supervisory board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits.</p> <p>Every member of the supervisory board shall take part in the programme and meet the requirements of lifelong learning.</p>	<p>ING applies this principle. In order to maintain the expertise of the Supervisory Board and to improve their expertise where needed, a Permanent Education Programme for the Supervisory Board is in place. As part of the annual self-assessment Supervisory Board members may request further training or education on specific topics which are implemented in the Permanent Education Programme.</p> <p>This principle of the Code is also reflected in the Charter of the Supervisory Board of ING Bank N.V. More information on the Permanent Education Programme for the Supervisory Board can be found under 2.1.3.</p>
<p>2.1.9 The assessment of the effectiveness of the lifelong learning referred to in principle 2.1.8 shall be part of the annual evaluation performed by the supervisory board.</p>	<p>ING applies this principle. The Permanent Education Programme for the Supervisory Board is one of the subjects in the yearly self-assessment performed by the Supervisory Board. The Charter of the Supervisory Board of ING Bank N.V. has been amended accordingly.</p>
<p>2.1.10 In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board shall be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board shall be part of this evaluation.</p>	<p>ING applies this principle and has amended the Charter of the Supervisory Board of ING Bank N.V. accordingly. Annually, the functioning of the supervisory board is evaluated, while the 2012 self- assessment took place under external assistance.</p>

2.2 Tasks and working methods

Text Banking Code	Implementation by ING
<p>2.2.1 As part of its supervisory tasks, the supervisory board shall pay special attention to the bank's risk management.</p> <p>All discussions about risk management shall be prepared by a risk committee or a similar committee, which committee shall be appointed by the supervisory board from its ranks for this purpose.</p>	<p>ING applies this principle. Per August 2009 a Risk Committee of the Supervisory Board has been installed. On a quarterly basis financial and non-financial risk reports are discussed in the Risk Committee and subsequently in the Supervisory Board. The risk appetite statements are also discussed in the Risk Committee and subsequently in the Supervisory Board. The Charter of the Supervisory Board of ING Bank N.V. and the Risk Committee have been amended accordingly.</p> <p>For more information on Risk Management, see Chapter on Risk Management in ING's Annual Account section in the Annual Report.</p>
Text Banking Code	Implementation by ING
<p>2.2.2 Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.</p>	<p>ING applies this principle. Both the members of the Audit Committee and the Risk Committee must meet specific requirements regarding competence and experience which are laid down in the Charters of the Audit and Risk Committee of the Supervisory Board.</p>

3 Executive Board

3.1 Composition and expertise

Text Banking Code	Implementation by ING
<p>3.1.1 The executive board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board and diversity are preconditions for the executive board to perform its tasks properly.</p>	<p>ING applies this principle. The Management Board Banking is composed in such a way that it is able to perform its tasks properly. Members of the Management Board Banking have various backgrounds and areas of expertise in banking, finance or risk management. However, the Management Board Banking recognizes the importance of diversity within the Management Board Banking and considers this as a clear priority. The Management Board Banking is committed to continue encouraging diversity through her talent management programme. The requirements on the composition of the Management Board Banking are laid down in the Executive Board Profile that can be found on www.ing.com. The Management Board Banking acts as a collective body and strives to take decisions on a consensus basis.</p>
<p>3.1.2 Each member of the executive board shall possess a thorough knowledge of the financial sector in general and the banking sector in particular. Each member of the executive board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank. In addition, each member of the executive board shall possess thorough knowledge so that he or she is able to assess and determine the main aspects of the bank's overall policy and then form a balanced and independent opinion about the risks involved.</p>	<p>ING applies this principle. Members of the Management Board Banking have various backgrounds and areas of expertise in banking, finance or risk management. Please go to www.ing.com to find the Management Board Banking members' individual profiles. The requirements on composition and competence of the Management Board are included in the Executive Board Profile that can be found on www.ing.com. Furthermore board members are subject to a "fitness and propriety"-test by De Nederlandse Bank in order to ensure that the composition of the Management Board Banking is sufficient for the proper fulfilment of its tasks.</p> <p>On a regular basis the Supervisory Board evaluates the functioning of the individual members of the Management Board Banking.</p>
<p>3.1.3 The chairman of the executive board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the executive board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits.</p>	<p>ING applies this principle. A collective Permanent Education ("PE") Programme for the members of the Management Board Banking exists. The PE Programme covers the following main themes (i) developments at the Bank and in the financial sector, (ii) corporate governance in general and in the financial sector, (iii) duty of care towards the client, (iv) integrity, (v) risk management, (vi) financial reporting and (vii) audits. The programme is organised to provide collective MBB PE sessions at least on a quarterly basis. External thought leaders and experts are invited to educate on various topics. Topics that have been included in the 2012 collective sessions are amongst others Restoring Trust, Corporate Governance, Customer due care, Audit and Risk management as well as Integrity. Individual sessions differ per board member. There are also presentations during regular board meetings which contribute to the Board's general education, e.g. on various content related topics. In 2013 the Permanent Education Programme will be continued; the 2013 programme is currently being developed.</p>

Text Banking Code	Implementation by ING
<p>3.1.4 Every member of the executive board shall take part in the programme referred to in 3.1.3 and meet the requirements of lifelong learning. They have to satisfy this condition in order to sit on the executive board.</p> <p>The supervisory board shall ascertain whether the members of the executive board continue to fulfil the expertise requirements developed by De Nederlandsche Bank [the Dutch central bank].</p>	<p>ING applies this principle and has amended the Charter of the Management Board of ING Bank N.V. accordingly. See Principle 3.1.3 for more details. Expertise of Management Board is addressed in the annual assessment of the functioning of the Management Board members.</p>
Text Banking Code	Implementation by ING
<p>3.1.5 Each year, the bank shall indicate in its annual report in what manner it implemented principles 3.1.3 and 3.1.4.</p>	<p>The manner of implementation of the principles 3.1.3 and 3.1.4 is described in this booklet.</p>
Text Banking Code	Implementation by ING
<p>3.1.6 Taking into account the risk appetite approved by the supervisory board, the executive board shall ensure a balanced assessment between the commercial interests of the bank and the risks to be taken.</p>	<p>ING applies this principle. In executing its duties the Management Board Banking carefully considers both the commercial interests of the bank as well as the financial risks, while taking into consideration the interest of all stakeholders, applicable law and codes of conduct.</p> <p>The Charter of the Management Board of ING Bank N.V. has been amended to reflect this principle.</p>

Text Banking Code

Implementation by ING

3.1.7 Within the executive board one member shall be responsible for preparing the decision-making with regard to risk management.

This member of the executive board shall be involved, in a timely manner, in the preparation of decisions that are of material significance for the bank as regards the risk profile, especially where these decisions may result in departure from the risk appetite approved by the supervisory board.

Risk management shall also include a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the bank.

ING applies this principle. As of 2007 ING has appointed a Chief Risk Officer (CRO) to the Management Board Banking who bears primary overall responsibility for the Risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that ING's Bank risk profile is consistent with its financial resources and the risk appetite. The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the organisation. The CRO in the Board does not combine his role with any commercial focus areas.

ING's risk management framework is based on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite as defined by the Executive Board (and ratified by the Supervisory Board) and is cascaded throughout ING Bank. The risk committees are part of the second line of defence. They act within the overall risk policy and delegated authorities granted by the Executive Board and have an advisory role to the CRO.

The CRO is co-chairman of the Asset and Liability Committee (ALCO) of the Bank. The ALCO discusses and approves on a monthly basis the overall risk profile of all ING Bank's market risks that occur in its Commercial Banking and Retail & Direct Banking activities. The CRO is also chairman of the CRO Staff and co-chairman of the Finance & Risk Committee (F&RC). The F&RC is a platform for the CRO and the Chief Financial Officer (CFO), along with their respective direct reports, to discuss and decide on issues that relate to both the finance and risk domains. As part of all this, the CRO is closely involved in risk matters and decisions that may have a material impact on the bank. He is also member of the Global Credit Committee Policy (GCCP), which discusses and approves policies, methodologies and procedures related to credit, country and reputation risks within ING Bank and the Global Credit Committee – Transaction Approval (GCCTA), which discusses and approves transactions that entail taking credit risk above a certain threshold.

As an example how ING's Risk management includes a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the bank, ING complements its regular standardized risk reporting with (ad hoc) stress tests. A stress test is an instrument to check whether a financial institution can withstand specific negative events or economic changes. More specific, stress testing examines the effect of exceptional but plausible events on the capital and liquidity position of the financial institution and provides insight in which business lines and portfolios are vulnerable to which type of scenarios.

Several stress tests are conducted, both scheduled and ad hoc, both in the form of sensitivity or scenario analysis, either for a specific risk type or for the bank or insurance company as a whole. The stress test can represent various economic situations from mild recession to extreme shock. In addition to regulatory required stress tests such as those from De Nederlandsche Bank and EBA, several ad hoc tests have been conducted.

For further information on Risk Management, see Chapters on Risk Management in the ING Annual Report.
Go to www.ing.com.

Text Banking Code	Implementation by ING
<p>3.1.8 The member of the executive board who is responsible for preparing the decision-making with regard to risk management may combine his or her function with other focus areas, on the condition that he or she does not bear any individual commercial responsibility for the commercial task areas and operates independently from those areas.</p>	<p>The CRO in the board does not combine his role with any commercial focus areas</p>

3.2 Tasks and working methods

Text Banking Code	Implementation by ING
<p>3.2.1 In all of its actions, the bank's executive board shall ensure that it carefully considers the interests of all of the parties involved in the bank, such as the bank's clients, its shareholders and its employees. These considerations shall take into account the continuity of the bank, the environment in society in which the bank operates and legislation, regulations and codes that apply to the bank.</p>	<p>ING applies this principle. This principle is reflected in the Charter of the Management Board of ING Bank N.V.</p> <p>Stakeholder engagement has always been an important element of ING's overall corporate strategy. The primary objective of ING's stakeholder engagement approach is to provide optimal, accurate, transparent and easy to understand information on products, services, strategic direction, financial and operating performance and/or specific purpose policies to serve the often diverging interests of the various stakeholder groups.</p> <p>In response to the financial crisis ING has further intensified its stakeholder management activities, in particular given the shifting needs and increased expectations, demands and influence of various stakeholder groups (in particular customers, policymakers and Dutch society). ING launched a number of initiatives to actively seek a dialogue with all its stakeholders. These included a series of dialogue sessions and round table discussions attended by a multiplicity of stakeholders (customers and consumer organisations, entrepreneurs, business associations, employees, trade unions, Non-Governmental Organizations, politicians, regulators, private investors, special interest groups, academics, opinion leaders and journalists). The main objective of these sessions was to facilitate discussion between ING and its stakeholders, for ING to receive their feedback and address their issues of concern. In addition, ING provided a Bank Strategy Update and shared the Ambition towards 2015 with its investors early 2012.</p> <p>See www.ing.com for more details and background information for its various stakeholders, for example including ING's Mission & Strategy, various Sustainability initiatives and information for Investors – and how this fits together ("ING for Something Better").</p> <p>The aforementioned initiatives have enabled Management Board Banking members and other senior management to actively discuss a wide range of issues with a multiplicity of stakeholders, varying from topics like the financial crisis and our own role therein, customer centricity, (sustainable) entrepreneurship and our strategy towards corporate responsibility to the scale and scope of financial services companies and the future of financial regulation and supervision.</p>

Text Banking Code

3.2.2 Maintaining a continued focus on its clients' interests is a necessary precondition for the continuity of the bank. Without prejudice to the principle formulated in 3.2.1, the executive board shall ensure that the bank always treats its clients with due care.

The executive board shall see to it that the duty of care for the client is embedded in the bank's culture.

Implementation by ING

In order to apply this principle the duty of care for clients is embedded in ING Bank policies, procedures, communication and marketing.

From 2009 to mid-2011, ING launched and is embedding its Customer Care/ Customer Suitability programme. The main objective of the Customer Suitability programme was to structurally assess globally existing products, services and advice processes available to Retail, Small and Medium Enterprises and Mid-Corporate clients. Mid 2012 an updated guidance on accompanying the Customer Golden Rules has been launched for further embedding within Mid Corporate business.

Internally, ING offers training programmes to emphasise the importance of customer centricity to its employees.

The Customer Golden Rules are required to be part of the Product Approval and Review Process.

Customer Care is monitored and acted upon for example by Complaints Handling processes, the Net Promoter Score, the Winning Performance Culture Scan and we measure and report periodically on products that have not had their periodic PARP review or have been sold/traded for which a required suitability test was not performed.

In Domestic Bank Netherlands' awareness regarding "Customer Interest Centrally" (In Dutch: Klantbelang Centraal) and its practical implications in daily business practices continues to play a central role.

At different levels in Domestic Bank Netherlands active dialogue is held on how to further enhance Customer Interest Centrally. This in specific business practices and with regard to possible dilemmas with other interests of stakeholders. Tools have been developed to make guidelines concrete around most transparent communication ("over duidelijk duidelijke communicatie") for the business in order to assess transparency, completeness and clarity of customer/ product communication.

Also different HR instruments have been adapted. Customer Interest Centrally has been further integrated in performance management by means of Key Performance Indicators on Customer Interest Centrally, inclusion of Customer Interest Centrally in job descriptions, competencies and vacancies.

Text Banking Code	Implementation by ING
<p>3.2.3 The members of the executive board shall perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct and regulations.</p> <p>Each member of the executive board shall sign a moral and ethical conduct declaration. A declaration has been included in the explanatory notes to this code. This declaration is a model declaration, which means that each bank can supplement it as it deems appropriate.</p>	<p>ING applies this principle. All Management Board Banking members have signed the Moral and Ethical Conduct statement and the Charter of ING Bank has been amended to reflect the principle.</p>
Text Banking Code	Implementation by ING
<p>3.2.4 The executive board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behaviour of all of the bank's employees.</p> <p>The content of these principles shall be expressly pointed out to every new employee of the bank when he or she joins the bank by inserting a reference to these principles in the new employee's contract of employment. Every new employee shall be required to comply with these principles.</p>	<p>ING applies this principle. The ING Business Principles cover all aspects of the moral and ethical conduct declaration. All MC members have signed our Business Principles statement. Specific reference to the ING Business Principles is included in employee contracts. Besides, various initiatives further emphasize that every employee understands how their actions and behaviours can help earn and retain customer and stakeholder trust. The ING Business Principles continue to form an integrated part of employee trainings in the so called Promoting Integrity Programme across the organisation.</p> <p>More information on the ING Business Principles can be found on: http://www.ingforsomethingbetter.nl/our-approach</p>

4 Risk Management

Text Banking Code	Implementation by ING
<p>4.1 The executive board – and primarily the chairman of the executive board – shall be responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank’s overall risk policy.</p> <p>The executive board shall propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim shall also require the supervisory board’s approval.</p>	<p>ING applies this principle. While the Management Board Banking has a collective responsibility to manage the company, one of the Management Board Banking members has been appointed CRO who is primarily responsible for risk management.</p> <p>Each year, the risk appetite is set by the Management Board and submitted to the Supervisory Board for approval.</p> <p>Any material changes within this period are also set by the Management Board Banking and submitted to the Supervisory Board for approval. This principle is reflected in the Charter of the Management Board of ING Bank N.V.</p>
<p>4.2 The supervisory board shall supervise the risk policy pursued by the executive board.</p> <p>As part of their supervision, the supervisory board shall discuss the bank’s risk profile and assess at a strategic level whether capital allocation and liquidity impact in the general sense are in line with the approved risk appetite.</p> <p>In the performance of this supervisory role, the supervisory board shall be advised by the risk committee formed from the ranks of the supervisory board for this purpose.</p>	<p>ING applies this principle. The Supervisory Board discusses the bank’s risk profile based on the financial and non-financial risk management reports. These risk management reports provide a comparison of the actual risk profile (capital and liquidity) versus the approved risk appetite.</p> <p>A Supervisory Board Risk Committee has been established in August 2009. Risk Committee meetings take place at least 4 times a year. The Risk committee prepares the discussion and the decision making by the Supervisory Board with respect to risk management. This principle is reflected in the Charter of the Supervisory Board of ING Bank N.V.</p>
<p>4.3 The supervisory board shall assess periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of the bank’s risk appetite.</p> <p>The executive board shall provide the supervisory board with the relevant information for this assessment in such a way that the supervisory board is able to form a sound opinion.</p>	<p>ING applies this principle. On a quarterly basis, the financial risk management report and non-financial risk management report are provided by the Management Board Banking to the Supervisory Board. This enables the Supervisory Board to discuss and assess whether the commercial activities of the bank are appropriate in the context of the risk appetite of the bank.</p> <p>Each year, the risk appetite is set by the Executive Board and submitted to the Supervisory Board for approval. This principle is reflected in the relevant Charters.</p>

Text Banking Code	Implementation by ING
<p>4.4 The executive board shall ensure that risk management is arranged adequately so that the executive board is aware in good time of any material risks run by the bank so that these risks can be managed properly.</p> <p>The executive board shall take any decisions that are of material significance for the risk profile, the capital allocation or the liquidity impact.</p>	<p>ING applies this principle. The Management Board Banking is responsible to put in place effective internal risk management and control processes and systems. The individual board members are closely involved in these processes and decisions taken by the committees for that purpose. Various risk policies, financial and non-financial risk dashboards and risk committees are in place to identify and manage material risks in an early stage. Following on the local Non-Financial Risk Committees (NFRC) that are long part of the internal risk management a Bank Non-Financial Risk Committee has been established in 2010. The members of the Bank NFRC are the members of the Management Board Banking, the heads of the non-financial risk departments and senior management.</p> <p>The Non-Financial Risk Committee is responsible for all risk management activities related to the following risk areas:</p> <ul style="list-style-type: none"> • Operational risk • Compliance risks • Legal risk • Reputational risk <p>Decisions that are of material significance for the risk profile, the capital allocation or the liquidity impact of the bank are ultimately taken by the Management Board Banking or by individual board members participating in risk committees.</p> <p>This principle has been reflected in the Charter of the Management Board Banking.</p>

Text Banking Code	Implementation by ING
<p>4.5 Every bank shall have a Product Approval Process.</p> <p>The executive board shall organise the product approval process and shall be responsible for the process working properly.</p> <p>Products that go through the product approval process at the bank shall not be launched on the market or distributed without careful consideration of the risks by the bank's risk manager and a careful assessment of any other relevant factors, including the duty of care towards the client.</p> <p>Based on an annual risk analysis, the in-house auditor shall check whether the product approval process has been designed properly, is present and is working effectively and shall then inform the executive board and the relevant supervisory board committee (risk committee or similar committee) about the results.</p>	<p>ING applies this principle. Within the Management Board Banking the CRO is responsible for ING's product approval and review process while business line management is responsible for execution of the process.</p> <p>The product approval and review process ensures that relevant risk functions, including Legal, Compliance Risk Management, Market Risk, Credit Risk and Operational Risk Management, are involved to consider the risks and assessment of other relevant factors. Through this process new products or product modification need to meet the requirements set by ING to drive continuous focus on the client's interest. These requirements are ING's guiding principles for doing business with its clients. These rules go beyond what is legally required and aim to ensure that products, services and sales practices are in line with the ING business principles.</p> <p>In addition to the ING Business Principles and the product approval and review process ING has rolled out a tool to continuously measure how well ING is meeting our client's needs. Based on this information ING is able to improve products and services in order to satisfy clients and create promoters of our company.</p> <p>The product approval and review process is included in the Corporate Audit Services (CAS) Bank yearly audit planning. The audit activities have been determined using a risk based approach. CAS Bank informs the Management Board Banking and the Audit Committee about the results as part of the semi-annual reporting process.</p>

5 Audit

Text Banking Code	Implementation by ING
<p>5.1 The executive board shall ensure that a systematic audit is conducted of the management of the risks related to the bank's business activities.</p>	<p>ING Bank applies this principle. ING Bank has an internal audit department –CAS Bank- that prepares an annual risk based audit plan. This audit plan is approved by Management Board Banking and the Audit Committee of the Supervisory Board prior to finalisation. CAS Bank reports on the progress of the audit planning realisation on periodical basis to the Management Board Banking and the Audit Committee.</p>
Text Banking Code	Implementation by ING
<p>5.2 Each bank shall have its own, internal auditor who shall occupy an independent position within the bank. The head of the internal audit team shall present a report to the chairman of the executive board and shall report to the chairman of the audit committee.</p>	<p>ING Bank applies this principle. CAS Bank is independently positioned within the ING Bank organisation. CAS Bank staff reports to the General Manager of CAS Bank, who reports to the General Manager CAS Group. The General Manager CAS Group reports directly to the Chief Executive Officer (CEO) and functionally to the Audit Committee of the Supervisory Board. CAS Bank's independent position within the Bank is periodically assessed as part of the external quality review performed by the Institute of Internal Auditors Netherlands (IIA), Nederlandse Beroepsorganisatie van Accountants (NBA) and NOREA (Dutch organisation for IT auditors).</p>
Text Banking Code	Implementation by ING
<p>5.3 The internal auditor shall have the task of assessing whether the internal control measures have been designed properly, are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk management and the bank's control procedures. The internal auditor shall report the findings to the executive board and the audit committee.</p>	<p>ING Bank applies this principle. CAS Bank assesses whether the internal control measures have been designed properly, are present and are working effectively. This assessment includes the quality and effectiveness of the system of governance, risk management and the bank's control procedures based on a risk based approach. CAS Bank reports on the identified key risks to the Management Board Banking and the Audit Committee of the Supervisory Board on a semi-annual basis.</p>
Text Banking Code	Implementation by ING
<p>5.4 The internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee shall consult periodically, including as regards the risk analysis and the audit plan of both the internal auditor and the external auditor.</p>	<p>ING Bank applies this principle. CAS Bank prepares and discusses its risk analysis and audit plan with the Management Board Banking, the Audit Committee of the Supervisory Board, the external auditor and with De Nederlandsche Bank (the Dutch Central Bank). Subsequently, CAS Bank exchanges periodically information with these stakeholders in order to update its risk analysis and audit plan (at least quarterly).</p>
Text Banking Code	Implementation by ING
<p>5.5 As part of the general audit assignment for the financial statements, the external auditor shall produce a report for the executive board and the supervisory board which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the bank's control procedures.</p>	<p>ING Bank applies this principle. Ernst & Young, ING's external auditor, issues a management letter and audit report annually, and review letters quarterly to the Management Board Banking and the Supervisory Board, which may include relevant findings relating to governance, risk management and control. CAS Bank monitors that the external auditor adheres to these responsibilities.</p>
Text Banking Code	Implementation by ING
<p>5.6 The internal auditor shall take the initiative in arranging talks with De Nederlandsche Bank and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage.</p>	<p>ING Bank applies this principle. CAS Bank organises a risk assessment meeting with the external auditor and De Nederlandsche Bank on an annual basis.</p>

6 Remuneration Policy

Basis

Text Banking Code	Implementation by ING
<p>6.1.1 The bank shall implement a meticulous, restrained and long-term remuneration policy that is in line with its strategy and risk appetite, objectives and values, taking into account the long-term interests of the bank, the relevant international context and wider societal acceptance.</p> <p>The supervisory board and the executive board shall take this basis into account when performing their tasks in relation to the remuneration policy.</p>	<p>ING Bank applies this principle. The remuneration policy of ING Bank strikes a balance between interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company.</p> <p>The general principles underpinning ING's remuneration policy are as follows:</p> <ul style="list-style-type: none">• Create a balanced compensation mix• Reduce emphasis on variable remuneration• Enhance long-term value creation• Improve the alignment of risk and reward• Place a significant weighting on non-financial sustainable performance indicators <p>The variable remuneration is linked to clear targets of which a large part non-financial targets, e.g. operational excellence, customer focus and top employer.</p> <p>The remuneration policy for the Executive Board of ING Group as proposed by the Supervisory Board has been approved by the Annual General Meeting of Shareholders (AGM) on 27 April 2010 and adjustments were approved by the AGM on 9 May 2011. The remuneration policy for the Executive Board of ING Group applies in full to the members of the Management Board Banking. For more information, see the Remuneration Report in ING's Annual Reports 2010, 2011 and 2012.</p> <p>Both the charters of the Management Board Banking and the Supervisory Board reflect that the Management Board Banking and Supervisory Board are committed to ensure that the execution of the remuneration policy continues to be in line with the criteria set out in this principle.</p>

Governance

Text Banking Code	Implementation by ING
<p>6.2.1 The supervisory board shall be responsible for the implementation and evaluation of the remuneration policy adopted with regard to the members of the executive board.</p> <p>The supervisory board also approves the remuneration policy for the senior management and oversees its implementation by the executive board.</p> <p>Additionally, the supervisory board approves the principles of the remuneration policy for other bank employees</p> <p>The bank's remuneration policy shall also comprise the policy on awarding retention, exit and welcome packages.</p>	<p>ING applies this principle. The Supervisory Board has always been and will continue to be responsible for the implementation and evaluation of the remuneration policy for the Executive Board of ING Group and the Management Board Banking.</p> <p>The Supervisory Board has approved the remuneration principles and actively oversees the Senior Management remuneration policy as executed by the Executive Board of ING Group e.g. by annually reviewing business line variable remuneration pools and individual remuneration proposals for Senior Management. The remuneration principles applicable to the remainder of the ING organization have also been reviewed and approved by the Supervisory Board. The Supervisory Board approves the remuneration policies for other bank employees</p> <p>A policy on welcome and retention packages as well as a policy on severance pay is in place and has been cascaded through the Bank globally. Material retention, exit and welcome packages are subject to (Remuneration Committee of the) Supervisory Board approval as of 2010. Furthermore, it is ING's policy to subject any exit and welcome packages that significantly deviate from standard local practice to a strict internal review and sign-off processes. Retention packages are always subject to a strict internal review and sign-off process. The principle is reflected in the Charter of the Supervisory Board of ING Bank N.V.</p>
<p>6.2.2 The supervisory board shall annually discuss the highest variable incomes at the bank.</p> <p>The supervisory board shall ensure that the executive board assesses whether variable incomes are consistent with the remuneration policy adopted by the bank, and in particular whether they comply with the principles set out in this article.</p> <p>Furthermore, the supervisory board shall discuss material retention, exit and welcome packages, assess whether they are consistent with the remuneration policy adopted by the bank and ensure that these packages are not excessive.</p>	<p>ING applies this principle.</p> <p>In 2012 the Supervisory Board reviewed the highest variable incomes within the organization and as such whether the variable incomes are consistent with the remuneration policy adopted by the bank.</p> <p>The Executive Board of ING Group and the Management Board Banking reviews the proposed variable income for Senior Management within the business to ensure they are consistent with the remuneration policy adopted by the bank. The existing Senior Management policy complies with the principles set out in this principle.</p> <p>The Executive Board of ING Group annually discusses the highest variable incomes within the organization and whether such variable incomes are consistent with the remuneration policy adopted by the bank. This assessment is discussed and reviewed by the Supervisory Board.</p> <p>As of 2010 material retention, exit and welcome packages are subject to (Remuneration Committee of the) Supervisory Board approval. This principle is reflected in the Charter of the Supervisory Board of ING Bank N.V. and Management Board Banking.</p>

Remuneration of members of the executive board

Text Banking Code	Implementation by ING
<p>6.3.1 The total income of a member of the executive board shall be in reasonable proportion to the remuneration policy adopted by the bank. At the time when his or her total income is decided, it shall be slightly below the median level for comparable positions in the relevant markets both inside and outside the financial sector. The relevant international context shall be a major factor.</p>	<p>ING applies this principle. The remuneration policy for the Executive Board of ING Group and the Management Board Banking is in line with the criteria described in this principle. This includes benchmarking against a peer group of major European multinationals (financial and non-financial) and setting remuneration levels below median. The total income for the Executive Board of ING Group and the Management Board Banking members is therefore below the market median.</p> <p>More information can be found in the Remuneration Report of the Annual Report 2010-2011 and 2012.</p>
<p>6.3.2 In the event of dismissal, remuneration may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for an executive board member who is dismissed during his or her first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.</p>	<p>ING applies this principle. The remuneration policy that applies to the Executive Board of ING Group and the Management Board Banking fully complies with the criteria as laid down in this principle.</p>
<p>6.3.3 When variable remuneration is awarded to the executive board, the long-term component shall be taken into account as well as profitability and/or continuity of the bank and a material part of the variable remuneration shall be conditional and shall not be paid until at least three years have passed.</p>	<p>ING applies this principle. The performance targets of each member of the Executive Board of ING Group and the Management Board Banking include measures relating to the profitability and the continuity of the bank. All variable remuneration for these Board members is conditional upon meeting performance targets. Moreover, 60% of the variable remuneration is long-term focused i.e. All cash and shares offered as part of the long-term component are subject to a 3-year tiered vesting schedule, after which a retention period follows such that all shares are retained for a period of at least 5 years (including vesting time). The variable remuneration is also subject to a "no profit – no bonus" principle.</p> <p>More information can be found in the Remuneration Report of the Annual Report 2011 and 2012.</p>
<p>6.3.4 Shares granted to executive board members without financial consideration shall be retained for a period of at least five years or at least until the end of the employment, if this period is shorter. If options are granted, they shall, in any event, not be exercised in the first three years after the date on which they were awarded.</p>	<p>ING applies this principle. Stock is subject to a 5 year mandatory holding period (including vesting time) to comply with this provision. It is noted that each Board member is permitted to sell that portion of the vested stock to finance his or her tax obligations that exist on the vesting date.</p>

Variable remuneration

Text Banking Code	Implementation by ING
<p>6.4.1 The allocation of variable remuneration shall be related to the bank's long-term objectives.</p>	<p>ING applies this principle. Variable remuneration for the Executive Board of ING Group, the Management Board Banking and Senior Management is determined by performance objectives which include long-term objectives (such as customer satisfaction, employee engagement, and corporate responsibility). In addition, a significant part of their variable remuneration is long-term in nature as it is deferred over a period of three years. For the Executive Board of ING Group and the Management Board Banking this is 60% of total variable remuneration.</p> <p>Senior Management receives part of their variable remuneration in conditional shares through participation in a long-term incentive program. In addition they also defer a significant portion of their variable remuneration therefore emphasizing long term focus.</p> <p>For the levels below Senior Management there is generally also a long-term focus, although it is possible that due to local arrangements (e.g. with unions or as a result of collective labour agreements) deviation may be necessary.</p>
Text Banking Code	Implementation by ING
<p>6.4.2 Every bank shall set a maximum ratio of variable remuneration to fixed salary that is appropriate for the bank in question.</p> <p>The variable remuneration per annum of members of the executive board shall not exceed 100% of the member's fixed income.</p>	<p>ING applies this principle. The variable remuneration per annum of members of ING's Executive Board and Management Board Banking does not exceed 100% of the member's fixed income.</p> <p>As described in our 2010, 2011 and 2012 Annual Report, ING moved the remuneration for its most Senior Management to a more balanced mix between fixed and variable pay as per performance year 2012. For our Management Council members, which consists of the top 100 managers of ING Bank, a ratio of 1:1 is now applied as per performance year 2012, in line with the ratio for the Executive Board and Management Board Banking. Exceptions can only be made after prior approval of the Supervisory Board, are strictly limited to international roles and will only be granted if justified by local market practice.</p> <p>For the remainder of the organization, ING applies a maximum ratio between fixed and variable remuneration. The ratios differ per geographical location and per business area. The specified maximum can be departed from only if necessary on the basis of a competitive position for certain high-calibre specialists and employees/managers in specific globally-oriented business units. Exceptions need to be reviewed and approved by the Supervisory Board.</p> <p>In June 2012 ING and the Dutch labour unions agreed on a new Collective Labour Agreement. Under the new Collective Labour Agreement employees will no longer receive part of their compensation in the form of variable remuneration. In a number of cases and only if justified by market practice staff may still receive a discretionary variable award.</p>

Text Banking Code	Implementation by ING
	Following on the Collective Labour Agreement agreement ING has carried out a careful and thorough evaluation of the remuneration packages for Dutch General Managers, including the variable proportion of pay. As a result, the remuneration has been further rebalanced with a reduced emphasis on variable remuneration. Exceptions may exist for high value specialists and senior management working in certain divisions and/or geographical areas.
Text Banking Code	Implementation by ING
6.4.3 Variable remuneration shall be based on the performances of the individual, his part of the business and the performance of the bank as a whole according to pre-determined and assessable performance criteria. In addition to financial performance criteria, non-financial performance criteria shall also make up a significant portion of the assessment of the individual. Performance criteria shall be defined in terms that are as objective as possible in the bank's remuneration policy.	ING applies this principle. Variable remuneration for the Executive Board of ING Group, the Management Board Banking and Senior Management complies fully with these criteria. Performance objectives for this group include employee engagement, customer satisfaction and corporate responsibility. This principle is also implemented throughout the banking organization as a whole although it is possible that due to local arrangements (e.g. with unions or as a result of collective labour agreements) deviation may be necessary.
Text Banking Code	Implementation by ING
6.4.4 When performances are assessed based on the pre-determined performance criteria, financial performances shall be adjusted to allow for estimated risks and capital costs.	ING applies this principle. Employees' individual performances are being assessed based on pre-determined performance criteria. Performance criteria for the Executive Board of ING Group, Management Board Banking and Senior Management will include risk objectives. Moreover, for Senior Management and the remainder of the organization the variable remuneration is based amongst others on financial performance. Variable cash and equity compensation will be adjusted for estimated risk and capital costs on an aggregate level. However, some local arrangements made as a result of collective labour agreements and/or arrangements with unions may deviate from this principle in which case ING must honour the existing obligations.
Text Banking Code	Implementation by ING
6.4.5 In exceptional circumstances – for example, if application of the predetermined performance criteria would result in undesired variable remuneration for a member of the executive board – the supervisory board shall have the discretionary power to adjust the variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects.	ING applies this principle. This power of the Supervisory Board is reflected in the Charter of the Supervisory Board of ING Bank N.V.
Text Banking Code	Implementation by ING
6.4.6 The supervisory board shall be authorised to reclaim variable remuneration allocated to a member of the executive board based on inaccurate data (whether or not the inaccurate data is financial in nature).	ING applies this principle. This power of the Supervisory Board is reflected in the Charter of the Supervisory Board of ING Bank N.V. and the Bank Remuneration Framework.