



Annual Review 2013

# Simpler, Stronger, Sustainable

[08](#) Five global trends

[32](#) ING at a glance



# Content

## Looking back

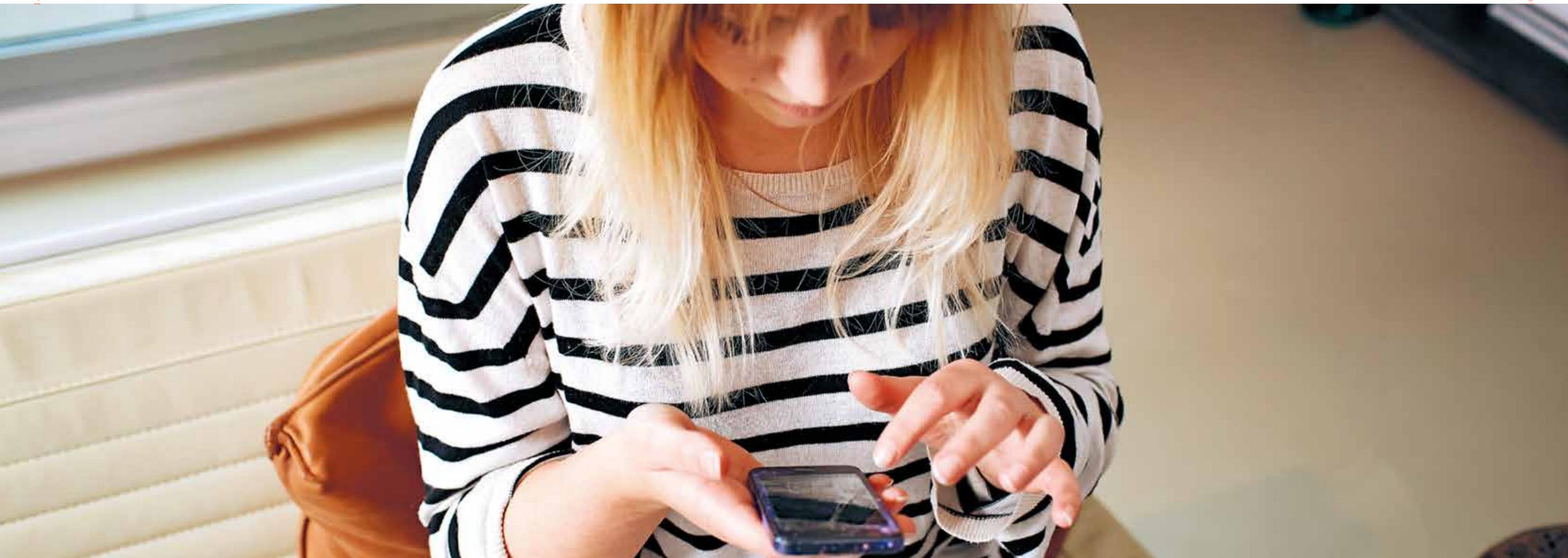
06 CEO Ralph Hamers about 2013

## Five global trends

- 10 Simplicity is no simple matter
- 14 Sustainability is not expensive
- 18 Long live the social digital revolution!
- 22 Uptick or upturn?
- 26 Regulation is good, trust is better

## ING at a glance

- 32 Organisation
- 33 Key figures
- 35 Strategy
- 37 Retail banking
- 42 Commercial banking
- 46 NN Group





# Simpler, Stronger, Sustainable

Our customers are at the heart of what we do. What they want and what they expect determine the changes and improvements we make. We want to demonstrate with our product and service offering that we can support and advise our customers when it comes to the financial choices they make and the issues they face. We want to make a difference and help our customers get ahead. In doing so, we can contribute to economic growth in the countries where we operate.

While working diligently to strengthen our business, we have consistently placed our highest priority on customer centricity and have gained more customers along the way. ING-DiBa for example, welcomed its eight millionth customer in 2013 and is the third-largest retail bank in Germany by number of customers. ING Spain opened its millionth payment account, eight years after the first account was opened there. We are proud that customers choose to do business with us.

Winning The Banker magazine's "Bank of the Year 2013" awards for the Netherlands, Belgium and Western Europe is a good signal that we are on the right path. Our commercial bank won several high-profile deals and closed major transactions. These are a demonstration of our customers' trust in our capabilities. Commercial Banking maintained good positions in the league tables and won awards like the "Corporate Deal of the Year Award (Europe)" and "Best Structured Commodity Finance Bank (Global)".

Also NN Group received several awards, for example in Poland, it was the most customer friendly life insurance company in the Gazeta Bankowa 2013 contest. Investment Management in the Netherlands was awarded for a second year in a row the People's Choice award for "Best Fund Manager". All these awards are a recognition of our commitment to support our customers throughout the challenging financial environment.

Internet and mobile banking are expanding rapidly. We are constantly innovating these delivery channels, and now have around 3 million mobile banking customers in 14 countries. We are seeing a transformation in customer interaction, sparked by the growth of online services, and this is just the beginning. This is paving the way for new forms of customer communication. For example, ING Bank Slaski is the first bank in Poland to introduce an online platform for businesses to manage their procurement and sales processes. It is a similar story in insurance, where we are introducing new ways of serving customers and improving processes. Insurance Europe is building a multichannel distribution platform to service customers across all channels. In the Czech Republic and Spain we introduced For You, a concept of breast cancer insurance and related services.

Our role as a bank and insurance company goes beyond our primary function of providing financial services.

# In spite of the weak economic climate, we have seen an improvement in the operating performance in 2013 of both the bank and the insurance business.

We are part of society, and as such we are committed to help build a financially healthy and sustainable society for citizens, businesses and other organisations. We are committed to be part of the communities we operate in and believe that through the sustainable choices we make today, we can help shape the society of the future.

There are various ways of doing this. For example through our global range of responsible investment funds or responsible investment solutions, or offering products like the ING Savings Account for UNICEF which allows people to save and simultaneously support UNICEF. In our project finance portfolio we focus on renewable sources of energy. We finance companies that want to operate sustainably. An example is the financing of the Butendiek offshore wind farm in Germany, which supplies green energy and makes a major contribution to Germany's conversion to renewable energy. So we are meeting the growing demand for products that generate good financial returns, while at the same time investing in society and the environment.

Over the past few years, ING Group has made a huge effort to restructure and change, and we continue to do so. This transformation was pursued vigorously by my predecessor, Jan Hommen, whom I succeeded in October. We entered the final phase of our restructuring programme 2013. We successfully listed ING U.S. on the New York Stock Exchange. We also largely completed our Asian insurance and investment management divestment programme. Furthermore, we have made significant progress in preparing our European and Japanese insurance and investment management business for an IPO (initial public offering) as a base case in 2014.

A new brand for our insurance and investment management businesses was announced in October: NN. NN Investment Partners will be the future name for Investment Management. Nationale-Nederlanden Bank in the Netherlands significantly expanded its operations and raised its profile after some parts of WestlandUtrecht Bank had been integrated with Nationale-Nederlanden Bank. Furthermore, we reached an agreement with the Dutch State about the settlement of the Alt-A facility – which we completed in February 2014 – and we are also well on our way to repaying the core Tier 1 securities in full.

We also had to take some painful but necessary decisions to divest businesses and lay off people. However, our employees kept on supporting our customers and delivering them the exceptional service they deserve. In anticipation of tougher capital requirements we have strengthened our capital position, but if these requirements are tightened further, our ability to lend to the economy may come under pressure and this will at the same time affect our global competitive position. Moreover, we are pushing for a European level playing field to guarantee a robust competitive position for banks.

We are a customer-centric organisation, but that does not mean that we always execute what the customer wants us to do. That may sound contradictory. We have a duty of care to provide customers with the correct information and to ensure we really act in their interest.

Another dilemma is striking a fair balance between the interests of our customers, employees, shareholders and society at large. The interests and requirements of our various stakeholders are not always compatible and sometimes even conflicting. This often makes it difficult and challenging to satisfy everybody, which is why we are in constant dialogue with all our stakeholders to listen and to give them an insight into how we operate and manage our company.

In spite of the weak economic climate, we have seen an improvement in the operating performance in 2013 of both the bank and the insurance business. We have also significantly strengthened our capital and liquidity positions, ensuring we meet the new and tougher national and international supervisory and regulatory requirements.

These steps have given us greater control over our future as a bank, as well as the standalone future of the insurance business. We have emerged as a stronger company, as well as a less complex one. We have simplified our business significantly, reducing our product offering and streamlining processes to drive down costs and make our services and products quicker and easier to use.

We have made great headway in 2013 and are well positioned for 2014 and onwards. ING Bank is a major player in its European domestic markets, such as the Netherlands, Belgium, Luxembourg, Germany, Poland, Romania and Turkey, and in Asia. We have a presence in more than 40 countries, allowing us to support global businesses. NN Group today is a leading, predominantly European insurance and investment management company with a strong presence in 18 countries.

We are busy redefining what kind of bank and what kind of insurance business we want to be, what more we can do to help our customers get ahead, and what we can contribute to society. We are aware that we are not there yet and there is still a lot of work to do, but I am proud of what we have achieved so far.

Today's ING is different from yesterday's ING. The future will bring even more change. That change and our future are in our own hands. With a refined and sharpened strategy for ING Bank to be presented in the first half of 2014 and a scheduled IPO base case for the insurance and investment management business, 2014 is set to be an important year for ING and all our stakeholders

Ralph Hamers  
Chief Executive Officer of ING Group  
March 2014

trend

# Simplicity is no simple matter

1

There is about a 50% chance that you are reading this on your smartphone or tablet. The mobile revolution is taking place all around us. And it is changing the way people work, shop, communicate and think. >



> We live in an on-demand economy. We perceive anything that takes more than three clicks or swipes as an inconvenience. We demand ease and simplicity. Booking a hotel, watching the Olympics live or finding out where petrol is cheapest; there is an app for everything. The mobile revolution gives people freedom and power, and this results in different customer behaviour that requires companies to respond. This is no simple matter, but it is efficient!



### Swipe to pay

How is ING making its customers' lives easier? For instance by simplifying its range of products. By making online and mobile banking simple and accessible. By making it easier to open a bank account. By using clear language in all correspondence. In 2013, the most remarkable innovation was perhaps the launch of contact-free payments. Customers in Leiden have been testing this out. Amounts below 25 euros can be paid by using their mobile phones or swiping their debit cards.

### Pleasing simplicity...

Consumers and businesses who participated in the pilot scheme in Leiden find contact-free payment quick and easy. Both via their debit cards and their smartphones. Businesses view it as a bonus that contact-free payment contributes positively to their image. ING will start with this contact-free debit card, because we have already issued over four million of these, and not everyone has a smartphone with the Near Field Communication (NFC) technology required to make contact-free payments. As from 15 April 2014, ING's retail customers can make their payments in a fast, easy and safe way, using their contact-free debit card.

### ...but it is no simple matter

Contact-free payment is easy for users and businesses, but a huge operation to get off the ground. For the pilot scheme in Leiden we worked together with several financial institutions, 180 local businesses and the local council. Many more parties would be involved if introduced on a larger scale. Moreover, consumers and businesses expect more than just basic mobile payments. This might include electronic receipts on your mobile or making mobile payments and being able to use your loyalty card at the same time.

### App banking

Two years after its introduction, ING's mobile app has over 1.5 million users in the Netherlands, who together log in over a million times a day and make on average 300,000 transfers. Based on customer feedback, the app is continually further improved. Surveys by ING in 12 European countries show that mobile banking is changing the way people conduct their financial affairs. 29% of users transfer money only via their mobiles now. 66% say they have better control of their financial situation and that figure is as high as 90% among young people. And another positive result: people pay their bills quicker and are overdrawn less frequently.

### Taking it to the customer in Belgium

Thanks to new computer technology, customers of ING Belgium can now receive personal advice and finalise contracts for advice-related products, such as investment and lending products, everywhere. Equipped with this new device, ING Belgium's advisors can meet their customers and complete these financial arrangements without the need for the customer to visit a branch. By the end of April 2014, 550 advisors will be able to help customers in this easy and simple way.

### A great stride forward in the Czech Republic

Some insurance products are so complex that three swipes are not enough to be able to make a well-considered decision. Yet things can often be simpler and clearer. By doing just that, NN Group in the Czech Republic and Slovakia now manages to process 80% of claims within 5 days.

One of the steps, after an internal review of processes and procedures, was to restructure its website and to include a link to the claim forms on the homepage, making them easy for customers to find. The information display on the website was revised radically. The Czech and Slovak teams shortened all

forms and added clear instructions to all the forms which state exactly what information is required and why, and which additional documents we should have to help process the claim. These changes have led to more forms correctly completed, allowing the team to start processing them right away.

### Immediate feedback

Another important step was to improve communication with customers. The team now sends immediate confirmation of forms received as well as informs customers if any data or documents are missing. A pro-active and highly personal service. Employees then keep customers up-to-date on the status and outcome. Customer satisfaction scores went from negative to highly positive in just a couple of months.

trend

# Sustainability is not expensive

2

The bio-food industry is on the rise, electric cars are becoming a common sight in the streets and American singer Pharrell Williams works together with jeans manufacturer G-star to recycle plastic. Sustainability is fast becoming an integrated part of society. >



- > Globally, 78% of young people between the ages of 18 and 25 say that they are more loyal to brands and companies which are transparent, accountable and operate in a social, sustainable and ethical manner. Anyone who isn't investing in the field of sustainability risks being left behind or missing the boat completely.

### Sustainable? Of course!

"Our sustainable performance is no longer assessed by our support for good causes or working towards climate neutrality," Leon Wijnands, head of Global Sustainability at ING, explains. "Sustainability is increasingly an integral part of our operations, products and services and the company itself. Through our banking activities, we contribute to a more sustainable society, for instance by investing in sustainable projects and companies. A better working environment for our employees is also part of our sustainability policy."

### Leading the way

Initially, sustainability meant reducing our carbon footprint and supporting charities. Now ING sees sustainability as a core activity at the bank. Take lending money, for example. This raises questions like: to whom do we lend money and what do we want to finance? In 2003 ING was among the first ten financial institutions in the world to sign up to the Equator Principles, a system for testing and managing the social and climate-related aspects of project funding. Wijnands: "We have an influence, not only because we exclude controversial sectors, but also by imposing strict, clear conditions. Anyone can read about this on our website."

### From exclusion to encouragement

Over the past few years, the emphasis has shifted from exclusion to encouragement, Wijnands states. "How can we meet our guarantee to customers that we will invest their deposits in a responsible, sustainable manner? How can we as financial services experts contribute to sustainable development? How can we help people to safeguard their financial future? Our role is moving away from informing and advising towards creating insight and an overview."

### Sustainable customers

Those companies whose strategy includes a very sharp focus on the conservation of resources enjoy a market value 30% higher, on average, than their competitors. Conducting business sustainably brings economic benefits.

"Customers with sustainable plans and ambitions are attractive to us," Leonie Schreve says. She leads the Sustainable Lending team set up in 2012 to help clients around the world to achieve their sustainability goals. "Because they match our own corporate values, but also because we believe that these customers are the future. We help them to come up with new financing structures and business models. And in doing so we increase our own knowledge and expertise."

### Mega-sustainable

In 2013, ING was involved in financing a large number of sustainable projects. The bank played a leading role in raising capital for the Butendiek offshore wind farm in the German North Sea. Eighty turbines with a total capacity of 288 megawatts will provide power for about 370,000 homes. Ronald Dorlas, director of Structured Finance Power & Renewable Energy at ING: "Globally, only about twelve offshore wind farm projects have been financed. For this reason alone this was a special project. But also because the total investment in the project, some of which we provided, was as high as EUR 1.4 billion."

### From 5% to 39%

In Italy, Scotland, Turkey and the United States, too, ING helped to arrange funding, for example, for wind farms and solar energy projects. Schreve: "We are more ambitious than the market. Thirty-nine percent of ING's total electricity portfolio now comprises renewable energy projects. In 2005 that figure was just 5%."

trend

# Long live the social digital revolution!

3

The pope snapped one in front of St Peter's, Barack Obama took one at Nelson Mandela's memorial service. A selfie: perhaps the best symbol of our need to share our lives with one another. With 150 million shared Snapchats a day, 550,000 accommodation options on Airbnb and 24 million active Spotify users, the sharing economy has become a reality. An economy which blurs the boundaries between private individuals, companies and financiers. What does this mean for ING? >



>With 1.2 billion Facebook users and 150 million shared Snapchats a day the sharing economy has become a reality.



### Bank and crowd

In 2013, tens of thousands of start-up companies, museums, charities and other parties around the world raised capital online from a large group of small investors. Does this alternative form of financing pose a threat or does crowdfunding in fact create opportunities?

### A dream start for Dreamstarter

There are so many people out there with clever, daring and innovative ideas, but it can often be hard to find funding. Crowdfunding can help bring these ideas to life. And gives the community an opportunity to throw its support behind them. Dreamstarter enables ING to bring together small businesses and people who want to help turn their ideas into reality. Our involvement is a logical step and fits in with our goal of sustainability and innovation.

### Ideas and opportunities

There are so many people out there with clever, daring and innovative ideas, but it can often be hard to find funding. Crowdfunding can help bring these ideas to life. And gives the community an opportunity to throw its support behind them. Dreamstarter enables ING to bring together small businesses and people who want to help turn their ideas into reality. Our involvement is a logical step and fits in with our goal of sustainability and innovation.

### Over 100,000 dollars

Dreamstarter is aimed at making ideas happen which make a positive contribution to society. If they appeal to the online community and people back them with enough start-up capital, ING Direct Australia provides selected projects with additional financial support. Over 100,000 Australian dollars was raised for the first thirteen projects. Thanks to Dreamstarter, social businesses were able to set to work on a number of important initiatives including an educational programme to promote a healthy lifestyle for Australian school children and an online store which allows Indigenous Australians in remote areas to explore new markets.

### A dream start to be continued

ING Direct Australia is currently investigating how its 1.5 million customers can be more actively involved in the process. It is also important for businesses to receive practical support once they have raised the funds. We have the in-house expertise and skills to contribute to this. In the meantime, ING is also investigating options for facilitating crowdfunding in other countries. We hope to have more to say on this in 2014.

### Social media: remotely personal

One customer complaint if serious enough can singlehandedly damage a company's reputation. Social media enables people to communicate with one another and the outside world as never before. Companies need to be aware of this. ING is no exception. However, ING aims to add something tangible to social media. Our speciality - money matters - is not sexy by nature, but interest in it has grown since the start of the credit crisis. More than before, people seek reliable, relevant information and insight into managing money online. If they want to know more about different types of mortgages or answers to other financial questions, they don't turn to their friends on Facebook but to a bank. This is where ING can make a positive contribution in helping people via social media.

### Voce Arancio

ING is creating an online customer community in several countries. Customers can register and we also invite people to join who are interested in ING and who are active online. We answer Frequently Asked Questions (FAQs), for instance on mortgages or smart ways to save, and provide financial education: money management tips and assistance in making financial decisions. One good example of this is our Voce Arancio (orange voice) blog in Italy, with topics such as 'How much does it cost to move house?' and 'What is your degree worth in times of crisis?'

### Exchanging experiences

In Spain, NN Group offers a special insurance product for women, For You, which comes with an online community platform. Here, women can find information on the prevention and treatment of breast cancer and uterine/cervical cancer, can swap notes on their experiences and consult medical specialists. This platform already has over 10,000 users and is growing by the day.

### Listening and responding

Listening, that is the main thing. ING is very interested in following conversations and comments about the company. This helps us to identify what business and individual customers need. In addition, we also have active webcare teams based on the successful webcare team model in the Netherlands.

trend

# Uptick or upturn?

4

## 2013: Proving the doomsters wrong

2013 began with many economic and political worries. Thankfully most of them did not materialise. Rather than faltering, global economic recovery gained momentum during the year. The financial markets did well, despite a mid-year wobble. >



> The three main areas of concern, another crisis in the Eurozone, falling off the fiscal cliff in the United States and a possible hard landing in China, all proved to be unfounded.

## Eurozone

In the Eurozone, many thought the region would fall back into crisis. Some forecasters suggested that weak economic growth and the problems in delivering tough cut-backs in government budgets in Greece, Spain, Portugal or Italy would lead to renewed downward pressure on their bond markets and jeopardise their position in the European monetary union.

In the event, the European Central Bank's promise in 2012 to do 'whatever it takes' seemed to do the trick. Worries about the Eurozone's periphery countries faded, allowing their financial markets to do especially well. The markets shrugged off the troubles in Cyprus in March as well as the political upsets that rumbled on through the year across much of the Eurozone.

Moreover, by the spring, signs of economic recovery were emerging, with Germany leading the way.

## Fiscal cliff

The second fear about global economic growth 'falling off' the US fiscal cliff also didn't come to pass. 2013 began with concerns that cuts in government spending and tax rises would derail the US economy. US politicians spent most of the year arguing over how to cut the budget deficit. This triggered automatic budget cuts and culminated in a temporary government shutdown in October.

But the economy shrugged this off, as the Federal Reserve continued its bond buying programme. This helped to boost the housing market, which saw a recovery in prices, as well as the stock and bond markets.

The rally in the financial markets was briefly interrupted in May when the Fed signalled that it was thinking of 'tapering' its bond buying. In response, some of the emerging markets, especially those dependent on foreign capital inflows, suffered significant setbacks. Calm was restored a few months later when the Fed softened its rhetoric, and the eventual announcement in December that it would indeed begin its tapering in 2014 was received with little disruption in the financial markets.

## China hard landing?

A 'hard landing' for China's economy was the third troubling thought for the global economy in 2013. Many commentators were worried that a bubble in China's real estate might burst. In the event, this slowdown in real estate was mild and growth proved resilient. Later in the year, the markets welcomed news that the new Chinese government would implement an impressive reform agenda, signalling a shift towards private enterprise and domestic-led growth.

## Where to next?

With 2014 now well underway, there are again many forecasters predicting difficult economic times ahead. Will they be proved wrong again?

trend

# Regulation is good, trust is better

5

Before you buy a used car, you give it a thorough check to see it is ok, but basically it boils down to trusting the seller. In the same way, when you drive to work in the morning, you trust that other road users will abide by the rules and that the traffic lights work properly. It all comes down to trust. >



- More than five years after the start of the global economic crisis, public confidence in the financial sector is still at historically low levels. Restoring that confidence is proving a tricky process. Financial institutions now operate differently, cuts have been made and many new laws and legislation have been implemented. Governments are increasing regulations in order to protect the public better. The sector itself understands the need for regulation, but also recognises that this can lead to unintended consequences. Legislation does not always make things easier for customers and the financial sector.



### Brainstorming with policymakers

80% of legislation governing financial services in Europe comes out of Brussels. National governments then incorporate it into their own legal systems. ING monitors these developments. We know our customers and their interests. This is why we also want to be involved when governments draft guidelines and formulate laws which have an impact on our customers. In doing so, we also help ensure that new European legislation does not complicate existing rules in countries with more advanced finance regulatory systems.

### Balanced proposal

We share our knowledge in Brussels and in the European member states where we operate. For instance through our involvement in various organisations and in our own capacity. In conjunction with other stakeholders, ING is looking at a proposal under which every EU citizen has access to a bank account anywhere in the EU, irrespective of their place of residence. We believe this requires careful consideration in order to prevent measures being taken to promote money laundering practices. It is also important to look at existing procedures, such as the international bank account number (IBAN), which allow doing business internationally in an increasingly easy way.

### Comparing mortgages

Dialogue between governments and financial institutions often leads to improvements. At a European level, Brussels is currently working on new guidelines for mortgages: responsible lending. This means that people will soon receive transparent and standardised information on their mortgages with regard to interest rates, terms and conditions, their rights and obligations, and information about how to pay off mortgages early. This enables people to better estimate the risks and compare mortgage products from different lenders.

### More clarity

How much commission do intermediaries earn when they sell a life insurance policy? In large parts of Europe, it is not clear. ING believes that transparent intermediary commissions should be mandatory throughout the EU.

### Open about fees

In many countries, there is still little transparency about insurance intermediary costs. ING favours openness when it comes to commissions, so consumers can choose appropriately. This is particularly important in many Central and East European countries where the life industry is still young and developing.



---

# ING at a glance

---

- 32 Organisation
- 33 Key figures
- 35 Strategy
- 37 Retail banking
- 42 Commercial banking
- 46 NN Group

# Organisation

## Our mission

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

## Our profile

ING is a global company of Dutch origin which offers banking, investments, life insurance and retirement services. Our knowledge and experience, our determination to deliver excellent service and our global scale mean that we can serve a wide range of customers, from individuals and families to small and medium-sized businesses, institutions and governments. ING has over 48 million customers in more than 40 countries, served by more than 75,000 employees. Our strength lies, among other things, in our relatively high customer satisfaction scores, our sound financial position, our many distribution channels and our international network. ING is also a sector leader in sustainability.

## Our focus

Our aim is to continually improve customer satisfaction. We are working on achieving this by simplifying our company structure and our portfolio, consolidating our financial position and making our business model more sustainable.

## Our stakeholders

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

## Our strategy

ING has set strategic goals at the Group, Bank and Insurance (NN Group) level. All of these are in line with our mission.

For ING Group, our strategic priorities in 2013 were to consolidate our financial position, restructure the company, repay state aid and build stronger and sustainable banking and insurance businesses.

ING Bank's strategic goal is to be a robust, mainly European bank: a leading full-service bank in attractive, stable home markets and a leading commercial bank in the Benelux, with strong position in Central and Eastern Europe. ING will present a refined and sharpened banking strategy in the first half of 2014.

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

## Our corporate responsibility

ING wishes to build its future on sustainable profit, based on sound ethical principles and respect for its stakeholders. Our Business Principles describe our core values and the responsibility we have to the environment and society. We succeeded in further boosting our sustainability credentials in 2013, by becoming even more transparent and offering a wider range of sustainable products.

## Onze financiële positie

We attach a great deal of importance to strengthening our financial position. In doing so, we are best placed to help the economy grow. We gained financial strength in 2013. We improved our capital and funding positions and our liquidity position remained strong. Profits from our banking and insurance activities were good. However, risk costs did rise slightly in many of the markets in which we operate.

## Our future

The ING of tomorrow will certainly be different from the ING of today. 2014 will be an important year for ING and all its stakeholders with a sharpened strategy for ING Bank to be presented in the first half of 2014 as well as a base case IPO (initial public offering) for the insurance company, NN Group, scheduled for the year.

# Key figures

Bank	2013	+/-
Underlying income	€ 15.305m	+ 6,9%
Underlying net result	€ 3.155m	+ 28,8%
Countries	40+	
Employees	63.000+	
Customers	33 million+	

## Retail Banking

Underlying income	€ 10.162m	+ 11,8%
Underlying result before tax	€ 2.603m	+ 32,6%

## Commercial Banking

Underlying income	€ 4.994m	+ 0,6%
Underlying result before tax	€ 1.817m	+ 11,1%

## Bank

Detailed information can be found in the full Annual Report on [www.ing.com/annualreports](http://www.ing.com/annualreports)

ING's banking activities are divided into two main business units: Retail Banking and Commercial Banking. Retail Banking contains the retail and direct banking services for individuals and small and medium-sized businesses in Europe and Asia, and has its base in the Northern European home markets.

Commercial Banking has a strong European presence and an extensive international network in more than 40 countries. It offers services to corporations, governments and other financial institutions.

Insurance	2013	+/-
Operating result ongoing business	€ 886m	+ 6,4%
Result before tax	€ 83m	-82,6%
Countries	18	
Employees	12.000+	
Customers	15 million+	

#### Operating result ongoing business

Netherlands Life	€ 686m	+ 13,5%
Netherlands Non-Life	€ 79m	-23,3%
Insurance Europe	€ 199m	- 9,1%
Japan Life	€ 162m	-17,3%
Investment Management	€ 130m	- 19,3%
Other	€ -371m	

## Insurance

NN Group is a leading insurance and investment management company with a predominantly European presence in 18 countries. It offers retirement services, insurance, investments and banking to retail, SME, corporate and institutional customers.

NN Group's activities are divided into seven segments: Netherlands Life, Netherlands Non-Life, Insurance Europe, Japan Life, Investment Management, Other and Japan Closed Block VA.

In 2013, ING Group had largely completed the divestment of its Asian insurance and investment management operations. In May 2013, ING U.S. was listed on the New York Stock Exchange and began operating as a publically traded company. The listing initially reduced ING Group's stake in ING U.S. to 71%. Later in the year, ING Group successfully sold a second tranche of shares, reducing its stake further to 57%.

# Strategy

ING has set high strategic goals at the group, banking and insurance level (NN Group). All these are in line with our mission and are aimed at greater customer satisfaction, simplifying company structures and the range of products, strengthening our financial position and making our business model more sustainable.

We aim to assist people and companies in building their future, realising their ambitions and learning to deal with financial risk. Customers are our top priority: we want to exceed their expectations at a competitive price.

Our strength lies, among other things, in our relatively high customer satisfaction scores, our sound financial position, our presence through many distribution channels and our international network. ING is also a sector leader in sustainability. Our bank has a strong brand and we are at the forefront in digital banking. We have a sound foundation for tackling current and future challenges and are well prepared to seize opportunities.

## A sounder financial position

In 2013, we improved our funding position, our capital position remained strong and we retained a large amount of liquidity. Our results displayed resilience. However, risk costs did rise slightly in many of the markets in which we operate.

In January 2012, ING presented, among other things, its financial targets for the Bank for 2015. In line with this 2015 Bank Ambition, we succeeded in sustaining a core Tier 1 capital ratio of at least 10% throughout the year. This means that we already comply with the Basel III capital requirements for banks. At the end of 2013, our equity capital was 3.9% of our total balance sheet, meaning that we already more than comply with the European capital guidelines of 3% in 2015. We have also made progress in other sections of our 2015 Bank Ambition and European capital targets. For instance, our liquidity funding ratio is already over 100% and we are on schedule to optimise our balance sheet. Our underlying net profit was EUR 3,255 million, up 22.2%.

Cost control remains a top priority. This means we are better able to fund charges arising from new legislation and

higher banking taxes. On average, our cost/income improved.

NN Group's results improved considerably in 2013. This is partly due to lower costs in the Benelux, improved performance in non-life insurance and lower borrowing costs.

## Progress in restructuring

ING has substantially completed the separation of its banking and insurance operations. We believe it is simplification which is in the interest of our stakeholders and in particular our customers. In 2013, we achieved several milestones, such as the successful stock market float of our insurance company in the US and largely completed the divestment of our Asian insurance and investment management activities. Our core debt shrank from EUR 7.1 billion to 5.0 billion. We intend to use the proceeds from the divestment of the remaining insurance companies to reduce this further and ultimately pay it off, provided these proceeds are not required to reduce the leverage of the remaining insurance businesses.

The European Commission approved a revised Restructuring Plan schedule on 6 November 2013. The deal still stands that at least 50% of the European insurance and investment management activities must be separated by the end of 2015. However the remaining 50% will now be divested by the end of 2016 instead of the end of 2018, as previously agreed. ING's Japanese insurance and investment management activities are now included in the base case IPO of the European insurance and investment management businesses.

## Repayment of state aid

In 2013, we also reached agreement with the Dutch government on paying back the state aid for non-liquid assets. The unwinding was completed early 2014 and resulted in a cash profit for the Dutch State of EUR 1.4 billion. In November, we reduced our government debt to EUR 1.5 billion. We have already repaid EUR 11.3 billion, EUR 8.5 billion in principal and EUR 2.8 billion in interest and premiums. The final payments are scheduled for March 2014 and May 2015. The total annualised return for the government is expected to be 12.5%.

## Consolidating our company

At first sight, it appears that everything at a financial institution such as ING is about money. Yet it also involves people and trust. Only with professionalism and integrity can we build on the confidence of our customers and stakeholders and our reputation. Our business principles therefore mean a great deal to us: we conduct ourselves in an ethical manner, are open and clear about things, respect one another and take our social responsibility seriously.

We have five Customer Golden Rules based on these principles. They are summarised as follows:

*We strive to meet customers' needs throughout their life cycle. By providing the right products and proper advice.*

*We offer fair value to customers. We adjust the risk to their requirements.*

*We explain the risks, returns and cost of our products and services clearly and simply.*

*We regularly assess products, services and sales practices.*

*We work only with professional and licensed distributors and partners.*

Two examples of these rules in practice:

-In the first quarter, we placed our policy on environmental and social risk online, so that customers know the criteria we apply to our investments and can check whether we stick to our principles.

-We financed more renewable energy projects, issued more eco-friendly credit and introduced a savings account which contributes to charity. Our customers expect more sustainable products and services from us and these have indeed been introduced.

ING's strength is also determined by the quality of its employees. This means committed and motivated employees who can adapt quickly to meet ever-changing customer expectations and to build sound customer relationships with them. This is why we aim to be a top employer. And we are increasingly becoming one: employees are confident about the company's long-term future and appreciate our focus on customers and career opportunities. In Luxembourg, Germany and Spain, ING was named a Great Place to Work in an employee survey conducted by the Great Place to Work Institute – the only financial institution in the top-25 international companies. We also received external recognition as a top employer in

France, Poland, Belgium and Italy.

A well-balanced remuneration system is one tool for recruiting and retaining highly-qualified employees. In our remuneration policy we balance short and long-term value creation, in particular for senior managers and the Executive Board. We also take into account our risk profile and interest of all our stakeholders.

## Banking strategy

In essence, our strategy revolves around our customers. Customers basically want a solid, reliable bank. We ensure that their money is in safe hands; that they can conduct business with us flexibly and at a fair price; and that we make careful, socially-responsible and sustainable investment decisions.

We are proud of our customer satisfaction scores. In eleven countries where ING Retail Banking operates we are ranked first or second in our class, compared to our peers. One of the reasons for this is that we adapt to our customers' needs. They seek rapid and simple solutions, tailored to their personal situation, and look for greater insight into their financial situation, both present and future. They require their personal details to be secure, even when they conduct their banking via the internet or on their mobile.

Operational excellence and balance sheet optimisation are also ultimately about our customers. It means we can be more efficient and operate at lower cost.

ING presented a refined and sharpened banking strategy on 31 March 2014.

## NN Group strategy

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

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

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

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

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



# Retail Banking

Retail Banking provides financial services to individuals and small and medium-sized businesses in Europe, Asia and Australia. It occupies a leading position in the Netherlands, Belgium, Luxembourg, Germany, Australia and Poland and a strong position in Spain, France, Italy, Austria, Romania, Turkey and India. The same strategic focus is applied in all countries: straight-forward and simple services at low costs and in line with the “direct when possible, advice when needed” principle.

The main focus is of course on customers – we aim to be their preferred bank – and special attention is devoted to operational excellence and on being a top employer. In 2013, the emphasis was also on ensuring that customers can conduct their banking safely via various electronic channels. Despite lingering economic uncertainty in 2013, Retail Banking performed very well.

People are increasingly self-directed and empowered. We believe that mobile banking is the future and are working hard to this end. The priorities in this respect are: continue building the preferred bank, continue to focus on customer needs with easy and fair products at low costs and ensure fast and innovative responses in a rapidly changing banking

environment, with “digital first” remaining a top priority. Additionally, security and anti-cybercrime efforts remain important focal areas in all business units. In most countries in which we operate, we occupy first or second place in our class with our customer satisfaction scores. We are working on services and products which not only yield a sound financial return, but also serve social, ethical and/or environmental goals. Sustainability is fully embedded in our activities, and as such we wish to be accessible to everyone, from young people to those with physical disabilities or who find themselves in difficult financial circumstances. We therefore provide microcredit to businesses and provide assistance to mortgage holders in financial distress. We are expanding the number of easy-

access branches and provide services in parts of India where there are currently few banks. Many of our business units now have services for people with specific needs.

## Retail Netherlands

The Netherlands has been experiencing an economic headwind: rising unemployment, a record number of bankruptcies, and an ailing housing market. In 2013, we saw signs of recovery, whereby rising exports cancelled out worse-than-expected domestic consumer spending. In spite of all these factors and weak demand for business loans, Retail Banking's performance in the Netherlands was good.

Retail NL's customers comprise almost 8 million retail and private banking customers and nearly 700,000 small and medium-sized businesses and mid-corporate customers and is the second largest bank in the Netherlands. Even though electronic banking is growing fast, we still have 268 branches and 375 ING Service Points. We have also simplified and improved our range of products. We adapt to the market climate and have controlled costs in order to remain efficient. We are reducing the number of FTEs by 4,400 by the end of 2015.

## Customer focus

We make day-to-day banking easy and assist customers at decisive moments in their lives. Active, personal and service-oriented. We are simplifying processes for our customers, improving products and services and motivating employees to place our customers' interests first.

We maintain a continuous dialogue with customers and regulators with a view to fine-tuning our service. For instance, we received feedback from business clients that they would like more frequent contact with ING. The upshot is that 30,000 more small and medium-sized businesses now have their own account manager. Apart from customer-advice boards, we also receive feedback via online surveys. About 250,000 customers complete a survey each year. We demonstrate what we do with their feedback via a dedicated page on our website. We also keep in touch with customers via online media, online seminars on topics such as the housing market or business loans, or via social media such as Twitter and Google Hangouts.

Our mobile banking apps are constantly being improved by adding new functions requested by businesses and private individuals. In the third quarter in 2013, for the first time more customers logged in on mobile devices than via the website. Mobile traffic rose to over 41 million visits a month at the end of 2013.

We have introduced various tools to help our customers make financial decisions, such as the Mortgage Stress Test, the Buffer Calculator and the Mortgage Repayment Guide. Customers who experience short-term financial difficulties can take temporary advantage of the Interest Payment Freeze.

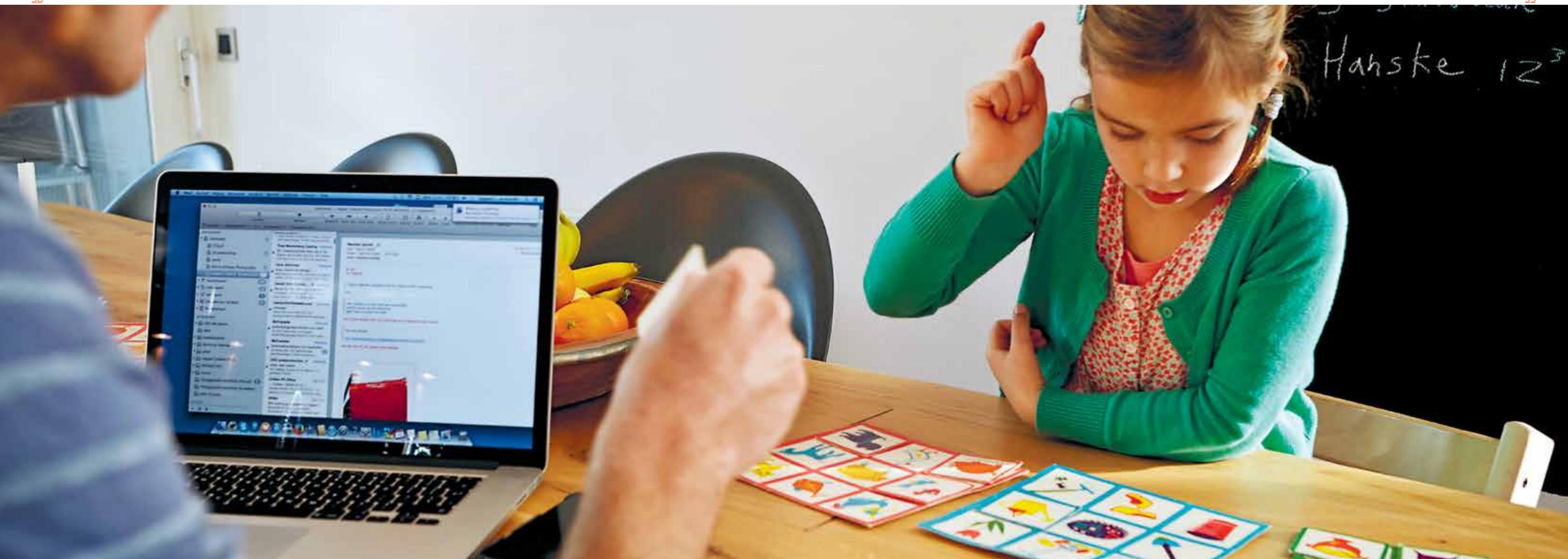
We also enter into dialogue with our business clients, including round table sessions. We launched a platform on which family firms can exchange knowledge and experiences. Another initiative to support Dutch companies is the Orange Trade Mission Fund (Oranje Handelsmissiefonds), an alliance with KLM, MKB-Nederland and the Dutch Ministry of Foreign Affairs. This gives ten businesses a year the opportunity to put their international plans into practice. ING was a co-initiator of the Dutch Orange Capital Enterprise Fund (Ondernemend Oranje Kapitaal), which makes capital, knowledge and advice available to small and medium-sized businesses. In doing so, we boost the Dutch economy and investors receive an attractive and sustainable commercial return.

In the field of sustainability, ING's Groenbank took the lead in the funding of 100 million euros to Dutch company Eneco for eco-friendly projects. At the end of 2013, Groenbank had a total balance sheet of 769 million euros. And we introduced the ING Savings Account for UNICEF, whereby ING annually donates 0.10% over the average savings balance to UNICEF for a school project in

Madagascar. When investing our customers' capital, we check that we are investing in projects and organisations which not only meet our financial but also our social and sustainable criteria

We aim for easy processes. Here, we apply simple principles, such as "never ask a customer for information we already have". We put ourselves in our customers' shoes. For instance, we have shortened the child and youth account opening process from 28 questions to 4 clicks. And we have arranged with the Chambers of Commerce that any changes to our customers' addresses are automatically relayed to ING. Easier for everyone. This also applies to mobile payments. We conducted a pilot scheme in Leiden involving a thousand consumers and 180 businesses. Participants were enthusiastic and came up with helpful suggestions. ING expects to introduce mobile payments nationally in the second half of 2014.

We are working together with a number of parties to combat cyber crime and cyber attacks. In 2013, we faced a number of disruptions (distributed-denial-of-service (DDoS) attacks), resulting in our mobile and online services being temporarily unavailable. Our customers' personal details were never compromised, and we have of course implemented stricter measures since then.



## Retail Belgium

Belgium came out recession in 2013. People started to spend more, and the rise in house prices stabilised just above inflation. Savings levels grew, but less rapidly than in the years prior to 2013.

ING Belgium is one of the country's largest banks and constantly responds to changing customer needs. The bank introduced an app for tablets and in September ING Belgium became the first bank at which customers could arrange their business loans completely online. iPads are available at all branches so that customers can discover for themselves how easy these apps are to use. ING Belgium employees are also provided with a tool on their laptops for conducting business with customers while they are out of the office or travelling. Branches are also being modernised; 63 in 2013 bringing the number of renovated branches to over 600 out of a total of 748.

Direct sales of simple online products have more than doubled in four years. The bank has achieved a market share of 40% in these products. The mobile app has been downloaded 448,000 times and the number of mobile transfers has tripled in the space of a year. The bank gained 62,000 new customers in 2013. In total, ING Belgium now has 2,400,000 customers. Moreover, for the first time ever over 100,000 online payment accounts were opened in one year. Private Banking funds entrusted and assets under

management were 17.6 billion euros, a rise of 4.9% compared to 2012.

All branches have been powered using renewable energy since 2007. In 2013, ING Belgium slashed the amount of paper used in favour of digital alternatives. Such as the new version of the online banking service. Sustainability is also embedded in its range of products. The number of eco-friendly real estate loans stabilised, while the number of eco-friendly car loans grew by 5%. Employees also participated in campaigns to raise funds for children and education, such as the Run for UNICEF, the Special Olympics and the Ekiden Run. Another successful sustainability initiative was the ING Solidarity Award. Over 1,400 companies competed and over 200,000 people voted online

## Record Bank

Record Bank, the fourth largest savings bank in Belgium, is also part of Retail Belgium. Partly thanks to the government making it simpler for people to switch banks, Record Bank gained about 30,000 new customers. At the last count it had nearly 730,000 customers. Savings levels grew by 8% (1.3 billion euros). Record Bank provides safe, simple and transparent savings products and loans to private individuals and businesses. The bank's strength lies in its personal approach.



The customer is the focus and is provided with easy and fair products.

## ING Luxembourg

ING Luxembourg also had a good year. This bank serves both local and international customers. Since the end of 2012, the assets entrusted to this bank have grown by 10%, thanks in particular to strong growth in Commercial Banking.

## Retail Germany

Retail Germany comprises ING-DiBa Germany, ING-DiBa Austria and Interhyp. ING-DiBa is a fast growing bank in Germany. The bank continues to score highly in customer satisfaction surveys, partly due to a strong customer focus. It offers a clear range of products and high-quality service, 24 hours a day. The bank won prizes for its high service and quality standards. It displayed consistent growth in 2013. In September, ING-DiBa (Germany and Austria) welcomed its eight millionth customer. Consumer lending increased to more than 4 billion euros. Interhyp, Germany's largest mortgage broker, was awarded the title of "Best Mortgage Financer of the Year" for the eighth year in a row.

## Customer focus

ING-DiBa Germany worked to simplify correspondence with customers, resulting in customers now having fewer questions and a better customer experience. Service efficiency is constantly being improved, for example, through a new website. ING-DiBa Austria also launched a new website with online and mobile banking tools. The bank also takes social responsibility as a caring employer and by supporting charities. ING-DiBa in Austria, for instance, awarded 1,000 euros to 50 social clubs. In Germany, customers were given an additional incentive to recommend the bank to friends and acquaintances: for each new customer, ING-DiBa donates 40 euros to UNICEF or the original customers receive a premium.

## Rest of the World

Retail Banking also operates in Australia, France, Italy, Romania, Poland, Spain, Turkey and India. In Thailand, the bank has an equity position in TMB Bank and in China in the Bank of Beijing. ING Direct UK was sold in March 2013; the UK legacy portfolio is in run-off.

Retail Banking focuses on private individuals in Australia, Italy, France and Spain and on all customer groups in the other countries. All the countries are converging towards a single model: ease and simplicity with the emphasis on "digital first". In 2013, the number of customers increased by close to 900,000 to 14.3 million, and 1.2 million payment accounts were opened. Globally, customers increasingly have contact with ING via digital channels. Mobile banking is now the most common method. We invested in IT to implement innovations around the world. ING in Spain, Turkey and France were among the first banks in the world to create websites which adapt automatically to the type of device being used.

The different companies share knowledge with one another. Seven business units use the same tool to communicate with customers via social media. All the webcare teams are structured in the same way, based on the successful example set by the Netherlands. And the French mobile app has been copied in many countries and rated well everywhere.

## Customer focus

Our app for mobile banking is gaining ground. ING Romania introduced the app in 2013, in Italy half of our customers now use it and ING Australia won the 2013 Mobile Award with it. India has also introduced an app with reception in rural areas and Poland has set up a trade and auction platform for businesses. Over 10,000 businesses now use this. ING Turkey also introduced an innovative branch concept with handy self-service options.

In India, ING provides new products within the framework of socially-responsible business, such as the Kisan Credit Card. This allows farmers to cover their credit needs before and after the harvest. ING in India is also working on providing banking services to villages with fewer than 2,000 inhabitants - often illiterate - where there is currently no bank. And ING Australia launched a crowdfunding platform Dreamstarter. To name but a few examples.

## In short

- The customer is the focus and is provided with easy and fair products.
- Retail Banking responds rapidly and innovatively to a fast-changing banking climate.
- Digital innovation is our top priority.

# Commercial Banking

In spite of the weak global economy, ING Commercial Banking reported a solid financial result and continued to work on making its business model more sustainable and on finding new ways to exceed customer expectations.

## Commercial Banking Review

Commercial Banking is a market leader in the Benelux and holds strong positions in the rest of Europe, especially in Central and Eastern Europe. Globally, we occupy leading positions in selected regions in Industry Lending and in liquidity management and have efficient Trade Finance Services and Financial Markets businesses. Our customers range from large companies and multinationals to governments and supranational organisations. We serve them via an extensive international network in more than 40 countries, offering a wide range of products and customised services.

We continue to invest in processes and systems. In doing so we aim to deliver faster and more efficient service to meet customers' constantly evolving expectations. Our improved capital balance sheet gives us greater flexibility to support our customers. Moreover, we made progress with building integrated domestic banks by combining Retail Banking's deposit gathering capabilities with Commercial Banking's origination capabilities. The result: a more robust business model.

## General Lending

It is a challenge to maintain margins and volumes – within acceptable risk levels – while competition is becoming fiercer, especially in markets in which national banks protect their sales market. Yet General Lending has succeeded in retaining its position as market leader in the Benelux and leading book runner in Central and Eastern Europe. We seek to improve our corporate lending and to ensure that our products evolve in line with changing customer needs, market trends and regulation. This is another reason for standardising and harmonising our processes and documentation in all the countries in which we operate.

## Transaction Services

Technology and operational processes play a major role at Transaction Services. We will continue investing in order to remain competitive. Payments & Cash Management is implementing a multi-year plan in order to increase cost efficiency, improve cross-border services, introduce new technologies and remain compliant with laws and legislation. Working towards the introduction of the Single Euro Payments Area (SEPA) was a top priority in 2013, and that continues to be the case in 2014. The European Commission has moved the deadline back from 1 February to 1 August 2014.

## 'We want to be the best bank for our customers'

### Industry Lending

Industry Lending delivers high-quality services. We are market leader in several industries and have specialist, globally-operating teams for all kinds of sectors.

Structured Finance comprises three units. The Energy, Transport and Infrastructure Group (ETIG) concentrates on capital-intensive sectors such as oil, gas, mining, offshore, shipping, water, energy and infrastructure. ETIG had a good year in 2013, in particular with energy projects in North America and renewable energy projects in Europe. The Specialised Financing Group focuses on loans based on cashflow, for example, in the telecom, media and technology industries. In 2013, customers in these markets benefited from a particularly high amount of credit, which made it challenging to maintain assets under management at the required level. International Trade & Export Finance (ITEF) finances trade in basic commodities such as oil, oil derivatives, metals, grain, sugar and cotton, and supports the export of capital goods via long-term loans. This unit retained its position and high service levels; and continued to grow the Structured Export Finance Hub in Germany. ING has become the leading bank for syndicated loans to commodity clients.

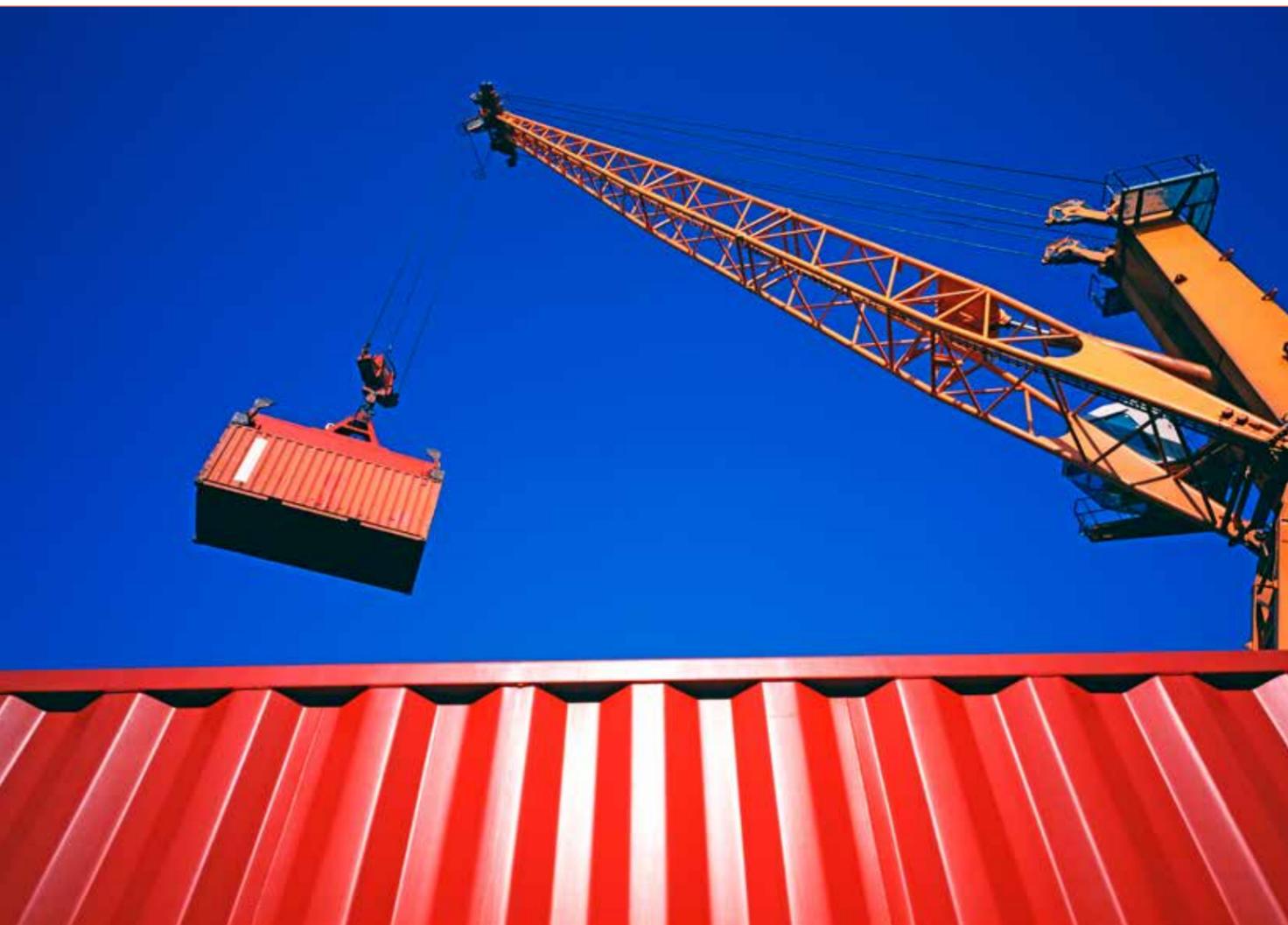
At the end of 2012 ING created a Sustainable Lending team which provides global support for Structured Finance to achieve our ambition to become the preferred bank for fulfilling clients' sustainability plans.

### Real Estate Finance

Real Estate Finance (REF) mainly issues credit to investors in real estate, using their first mortgage as collateral. In 2013, REF strove to maintain the high quality of the credit portfolio and to reduce the total volume. It succeeded: the volume has been reduced to EUR 24 billion and we have therefore already met our target for 2015.

### Financial Markets

Financial Markets (FM) conducts ING's global activities in the financial markets. It is a well-diversified business which operates in developed markets and fast-growing economies and which focuses more on rates and currencies than on credit. It offers a wide range of services aimed at helping customers to manage the risk involved in currency trading, interest rate, equity, commodity or credit movements.



Apart from the fact that the market is changing, there are an increasing number of capital requirements and this is leading to a lower return on capital. This is why FM analyses and tests its business model constantly to ensure that we continue to achieve and even exceed our performance targets. In 2013, FM introduced new specialist services, a sales trading function and a global sales Client Relationship Management system.

#### Bank Treasury

ING has merged all its treasury activities to meet changing laws and legislation and to further optimise the balance sheet. This was made possible by the transfer of assets between different countries. Bank Treasury contributed to ING's improved liquidity position and is further reducing the investment portfolio risk by creating a buffer containing liquid assets.

#### Real Estate & Other

Real Estate & Other (RE&O) focuses on reducing and terminating non-core activities. These include activities such as the former Real Estate Development (RED) and Real Estate Investment Management (REIM) units, plus a number of General Lease activities. In spite of the tough market climate, RE&O succeeded in reducing risk substantially and in selling a number of lease portfolios. Although impairments and risk costs are still at considerable levels, the portfolio is adequately provisioned and being wound down in a controlled manner.

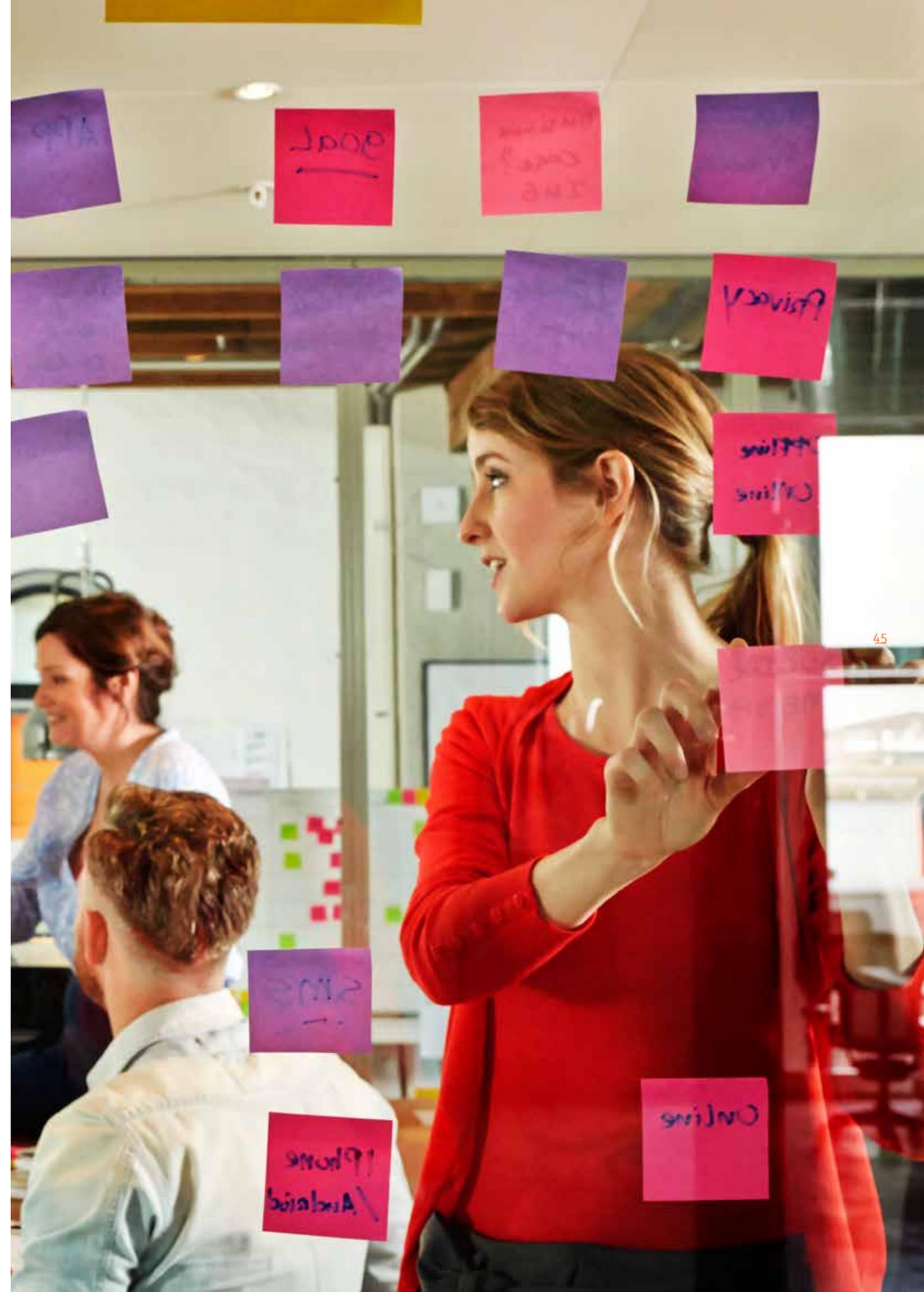
## Customer focus

Commercial Banking is implementing a strategic investment programme in order to serve customers better, to enhance its range of products and make processes more efficient. To this end, we are investing more in mobile solutions, IT applications and centralised processing and reporting of activities. Since 2010 we have used online surveys to monitor what customers think of our service. We use these Net Promoter Scores to improve our service. In 2014, we expanded the number of countries in which we do this.

In the Netherlands, independent research by Greenwich Associates confirmed Commercial Banking's number one position for the fourth year in a row. Euromoney and Global Finance also named ING as the Best Bank in the Netherlands and The Banker awarded ING Bank the "Bank of the Year" in the Netherlands, Belgium and Western Europe. Further afield, too, Commercial Banking and its business units received recognition for our commitment to customers.

Customers appreciate our hands-on, creative approach and our ability to co-ordinate a complex blend of products and our structuring expertise. For instance, we arranged over a billion euros in funding for the Butendiek offshore wind farm in the German North Sea. And we played a leading role in GBP 3.6 billion in funding for Arqiva, a large communications infrastructure and media services company. We are also meeting the growing demand for sustainable products and services.

Banking is all about people. In 2013, we had to take tough decisions in order to cut costs. With a view to continuing to motivate our employees in such a climate, Commercial Banking is focusing on continuing education through technical courses and leadership programmes. We also introduced the "Heart of Orange Leadership" programme, in which managers examine their own motivation, learn to keep competent teams moving forward and share experiences.



# NN Group\*

NN Group is a leading insurance and investment management company with a strong, predominantly European presence in 18 countries. With more than 12,000 employees, it offers retirement services, insurance, investments and banking to retail, SME, corporate and institutional customers. It has seven business segments: Netherlands Life, Netherlands Non-life, Insurance Europe, Japan Life, Investment Management, Other and Japan Closed Block VA.

\* NN Group N.V., formerly called ING Insurance Topholding N.V., merged with ING Verzekeringen N.V. effective as of 1 March 2014. As a result the legal entity ING Verzekeringen N.V. ceased to exist and NN Group N.V. became the legal successor of ING Verzekeringen N.V. as the holding company of the European and Japanese insurance and investment management operations. In this Annual Report, NN Group will be used to indicate these operations.

For more information about NN Group, please refer to ING Group's Annual Report 2013 on [ing.com](http://ing.com).



Its purpose is to help customers secure their financial futures: helping them manage and protect their assets and income through pensions, investments, insurance, savings and mortgages. Its strategy is to deliver an excellent customer experience by offering appealing and transparent products and services, multi-access distribution, efficient and effective operations.

In 2013, NN Group continued to prepare for its future as a standalone company. Market conditions permitting, a stock market float is planned for 2014. In 2013 strong progress was made in the European insurance and investment management transformation programme and on improving the customer experience and operational performance.

In October, future plans were announced to rebrand the insurance and investment management activities in Europe and Japan as 'NN'. This new identity links the company's heritage and Dutch roots with the requirements of an international forward-looking brand. The operational rebranding process is scheduled to begin after NN Group has been successfully brought to the market.

## Deal with the European Commission

In November, ING and the Dutch State reached an agreement with the European Commission on a revised timeline for the divestment of the European and Japanese businesses. Under this revised agreement, it was announced that the Japanese insurance and investment management operations would be included in the base case IPO.

As such, the timeline to divest more than 50% of Japan Life has effectively been extended by two years to year-end 2015. This is the agreed timeline to divest more than 50% of ING's European insurance and investment management businesses. Also as part of the revised EC agreement, ING will accelerate the time to complete the 100% divestment of its insurance and investment management activities in Europe and Japan by two years, to year-end 2016.

## Supporting and developing employees

Employees are the key to success for a customer-oriented company such as NN Group. The company encourages its employees to invest in themselves and their future and offers them training, coaching and placements.

## Sustainability

Embedding sustainability in NN Group's core activities remains a top priority. In their day-to-day operations and decisions, the companies seek to achieve a balance between financial interests and their impact on the environment and society. This also means providing products and services which suit customers, which are transparent and contribute to customers' financial welfare. We aim to play a leading role in developing a new, improved standard. To be a trusted partner in financial matters, to guide customers and pass on our knowledge so that they can base their financial decisions on clear insight into their own financial situation.

## Business units

### Netherlands Life

Netherlands Life offers a range of group life and individual life insurance products. Its group life policies are primarily group pension products. Its individual life insurance business primarily consists of the closed-block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of Nationale-Nederlanden, RVS and ING Verzekeringen Retail, formerly known as Postbank Insurance. Netherlands Life also provides pension administration and management services through its AZL brand.

Netherlands Life was the largest life insurer in the Netherlands as measured by Gross Written Premiums (GWP) in 2012, the most recent year of official figures, as collected by DNB.

Netherlands Life's aim is help its customers make the right decisions about their financial future, by providing effective and easy-to-understand products. In 2013, the individual life insurance market continued to go through major change. In response to this, Netherlands Life is lowering costs by streamlining its processes and systems. In pensions it is well positioned to capture more opportunities in the growing Defined Contribution market. In all its businesses, Netherlands Life is committed to improving the customer experience.

### Netherlands Non-Life

Netherlands Non-life offers a broad range of non-life insurance products - motor, transport, fire, liability, travel and income protection (disability and accident insurance) - to retail, self-employed, SME (small and medium-sized enterprises) and corporate customers. It does this through multi-channel distribution such as brokers, ING Bank and direct via the internet. Its Movir brand offers individual disability insurance to specific groups in the medical and business professions.

In the Netherlands, Netherlands Non-Life was the third largest provider of non-life insurance products (excluding healthcare insurance) measured by Gross Written Premiums (GWP) in 2012, the most recent year of official figures, as collected by DNB.

The economic downturn continued to affect the non-life business in 2013, most visibly in disability and accident insurance. Netherlands Non-life is gradually increasing the profitability of this product line having adjusted premiums and having made operational improvements in the claims process.



### Insurance Europe

Insurance Europe primarily offers life insurance, mainly to retail, self-employed, SME and corporate customers in 11 countries: Poland, Turkey, Czech Republic, Slovak Republic, Romania, Hungary, Bulgaria, Belgium, Spain, Greece and Luxembourg. It also offers pensions in some of these markets and non-life insurance in Belgium and Spain, and healthcare insurance in Greece.

In Europe, Insurance Europe was in 2012 the largest provider of life insurance in Romania and Hungary, and had top-four positions in the Czech Republic and Greece – in each case measured in GWP. It was the largest provider of mandatory pensions in Poland, Slovak Republic, Romania and Hungary, and voluntary pensions in Romania – in each case measured by assets under management.

Insurance Europe made clear progress in improving the customer experience and broadening its distribution base in 2013. New products and value propositions were introduced. Its customer focus approach resulted in increasing NPS scores and several awards.

### Japan Life

In Japan, NN Group primarily offers a range of COLI (corporate owned life insurance) products to SMEs and owners and employees of SMEs through independent agents and bancassurance. COLI products are traditional life

insurance policies with an average duration of nine years. The Japanese life insurance market is the second largest market in the world. Although it is mature, it has attractive growth opportunities in some large segments and channels. In November 2013, ING announced Japan Life would be included within the base case IPO of NN Group.

In 2012, Japan Life was Japan's third largest provider of COLI products measured by Annual Premium Equivalent (APE).

Japan Life believes that customer centricity is crucial to its success. Continuously improving the customer experience is one of its priorities. Key improvements in 2013 included the redesign of approximately 200 application and request forms, and the improvement of the interactive voice response process at the call centre.

### Investment management

Investment Management offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, it manages the assets of NN Group's businesses. Investment Management offers its products and services globally through regional centres in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub.

As at 31 December 2013, Investment Management had EUR 174 billion of assets under management, of which EUR 104 billion was managed for third party retail and institutional customers and the remaining EUR 70 billion for the general account of NN Group's businesses.

In 2013, Investment Management continued to simplify and streamline its operations, in line with the separate divestment of the Asian insurance and investment management businesses.

### Other

'Other' comprises the business of Nationale-Nederlanden Bank and ING Re (NN Group's internal reinsurer), the results of the holding and other results.

Nationale-Nederlanden Bank offers a range of banking products, especially mortgages and savings, to retail customers in the Netherlands. In addition, it coordinates the distribution of Nationale-Nederlanden's individual life and retail non-life insurance products in the Netherlands to enable a comprehensive product offering to retail customers in the Netherlands.

In 2013, Nationale-Nederlanden Bank accelerated efforts to become a one-stop shop for integrated financial solutions for retail customers, supported by the integration with a part of WestlandUtrecht Bank as well as the launch of new savings products.

ING Re is NN Group's internal reinsurer located in the Netherlands. ING Re primarily offers reinsurance to NN Group's businesses. ING Re also reinsures the minimum guarantee obligations of the Japan Closed Block VA. Solvency II will provide ING Re with new business opportunities.

### Japan Closed Block VA

Japan Closed Block VA comprises NN Group's closed-block single premium variable annuity (SPVA) individual life insurance portfolio in Japan. This portfolio consists of SPVA products with substantial minimum guarantee obligations sold predominantly from 2001 to 2009. In 2009 ING ceased the sale of these products and placed this portfolio in run-off. This portfolio has been classified as a closed-block and is managed as a separate segment. Over 90% of the portfolio is projected to run off by 2019, due to the short-term maturity profile of the SPVA products.

\* NN Group N.V., formerly called ING Insurance Topholding N.V., merged with ING Verzekeringen N.V. effective as of 1 March 2014. As a result the legal entity ING Verzekeringen N.V. ceased to exist and NN Group N.V. became the legal successor of ING Verzekeringen N.V. as the holding company of the European and Japanese insurance and investment management operations. In this Annual Report, NN Group will be used to indicate these operations.

For more information about NN Group, please refer to ING Group's Annual Report 2013 on [ing.com](http://ing.com).

# Colophon

This document offers selected information about ING in 2013. This information originates in part from the Annual Report 2013 of ING Groep N.V., which was published on 21 March 2014. It offers a brief overview of ING's operations in 2013. For a full overview, please consult the ING Group Annual Report 2013 (<http://www.ing.com/annualreports>). No rights can be derived from this publication. In the event of any discrepancies, the ING Group Annual Report 2013 prevails.

Corporate Communications  
& Affairs, ING Group  
P.O. Box 1800,  
1000 BV Amsterdam  
The Netherlands  
Tel. (+31) 20 576 5000

Design: Fabrique  
Technology: MagStream

Photography: Suzanne Karsters

© 2014 ING Groep N.V.  
All rights reserved. While every care was taken in the preparation of this publication, no responsibility can be accepted for any inaccuracies.

# Disclaimer

This document offers selected information about ING in 2013. This information originates in part from the Annual Report 2013 of ING Groep N.V., which was published on 21 March 2014. It offers a brief overview of ING's operations in 2013. For a full overview, please consult the ING Group Annual Report 2013 (<http://www.ing.com/annualreports>). No rights can be derived from this publication. In the event of any discrepancies, the ING Group Annual Report 2013 prevails.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of ING's restructuring plan to separate banking and insurance operations, (5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with

regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit ratings, (18) ING's ability to achieve projected operational synergies, and (19) the other risks and uncertainties details in the Risk Factors section in the most recent annual report of ING Groep N.V.

Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.