ING GROEP NV
Form 20-F
March 21, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

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

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

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.

Amstelveenseweg 500

1081 KL Amsterdam

P.O. Box 810, 1000 AV Amsterdam

The Netherlands

(Address of principal executive offices)

Hans van Barneveld

Telephone: +31 20 541 8510

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

Amstelveenseweg 500

1081KL Amsterdam

The Netherlands

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

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

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

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

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

None

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

None

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

Ordinary Shares, nominal value EUR 0.24 per Ordinary Share	3,831,560,513
Bearer Depositary receipts in respect of Ordinary Shares	3,830,278,454

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

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

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

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

* This requirement does not currently apply to the registrant.

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

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

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

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

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

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

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PRESENTATION OF INFORMATION

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

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

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = $ 1.3320, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 1, 2012.

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

The published 2011 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial Instruments (issued in 2009) is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. However, IFRS 9 is only effective as of 2015 and ING has not early adopted IFRS 9 under IFRS-IASB.

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

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

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

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

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

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

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

ING Group changed its accounting policy for the insurance provisions for Guaranteed Minimum Withdrawal Benefits for Life (GMWBL) on the Insurance US Closed Block VA book as of January 1, 2011. This change represents a change in accounting policy under IFRS, with a transitional impact being reflected in shareholders equity. Comparative years results have been restated. Further details are provided in the section Changes in accounting policies in Note 2.1 to the consolidated financial statements.

The Latin American pensions, life insurance and investment management operations were disposed of in December 2011. (for more information, see Item 4. Information on the Company Changes in the Composition of the Group). This transaction qualifies under IFRS as a discontinued operation. The results of the discontinued operations for the year and for comparative years are presented separately from continuing operations in the profit and loss account.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

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

- changes in general economic conditions, in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including developing markets,
- consequences of a potential (partial) break-up of the euro,
- the implementation of ING s restructuring plan to separate banking and insurance operations,
- changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,
- the frequency and severity of insured loss events,
- changes affecting mortality and morbidity levels and trends,
- changes affecting persistency levels,
- changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in investor, customer and policyholder behaviour,

changes in general competitive factors,

changes in laws and regulations,

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

conclusions with regard to purchase accounting assumptions and methodologies,

changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,

changes in credit ratings,

ING s ability to achieve projected operational synergies, and

the other risks and uncertainties detailed in Item 3. Key Information Risk Factors in ING s Annual Report on Form 20-F for the year ended December 31, 2011.

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

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PART I

Item 1. Identity of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data is derived from the IFRS-IASB consolidated financial statements of ING Group.

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

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	$000,000,00	$000,000,00	$000,000,00	$000,000,00	$000,000,00	$000,000,00
			Year ended December 31,			
	2011	2011	2010[7]	2009[7]	2008[7]	2007[7]
	USD[1]	EUR	EUR	EUR	EUR	EUR
			(in millions, except amounts per share and ratios)			
IFRS-IASB Consolidated Income Statement Data						
Income from banking operations:						
Interest income	86,112	64,649	68,334	79,850	98,201	76,859
Interest expense	68,198	51,200	55,011	67,475	87,118	67,823
Net interest result	17,914	13,449	13,323	12,375	11,082	9,036
Commission income	3,269	2,454	2,593	2,660	2,820	2,926
Investment and Other income	774	581	1,091	(3,546)	(5,950)	3,151
Total income from banking operations	**21,957**	**16,484**	**17,007**	**11,489**	**7,952**	**15,113**
Income from insurance operations:						
Premium income	36,228	27,198	27,786	30,248	42,671	44,746
Commission income	2,109	1,583	1,555	1,580	1,766	1,710
Investment and Other income	12,182	9,146	7,162	2,955	8,440	12,836
Total income from insurance operations	**50,519**	**37,927**	**36,503**	**34,783**	**52,877**	**59,293**
Total income [2]	**72,477**	**54,412**	**53,510**	**46,273**	**60.538**	**74,182**
Total expenditure from banking operations	15,824	11,880	11,914	13,134	11,556	10,092
Total expenditure from insurance operations	50,822	38,155	38,610	35,970	54,732	52,927
Total expenditure [2] [3	**66,180**	**49,685**	**50,177**	**48,765**	**65,997**	**62,795**
Result before tax from banking operations	6,133	4,604	5,093	(1,645)	(3,604)	5,021
Result before tax from insurance operations	163	122	(1,760)	(848)	(1,855)	6,366
Result before tax	**6,296**	**4,727**	**3,333**	**(2,492)**	**(5,459)**	**11,387**
Taxation	1,344	1,009	1,076	(780)	(1,708)	1,590
Result from discontinued operatiions [8]	1,477	1,109	216	100	82	89
Minority interests	116	87	106	(118)	(37)	267
Net result	**6,314**	**4,740**	**2,367**	**(1,494)**	**(3,632)**	**9,619**
Dividend on Ordinary Shares					1,500	3,180
Addition to shareholders equity	6,314	4,740	2,367	(1,755)	(5,557)	6,439
Coupon payable on non-voting equity securities [6]				259	425	
Net result attributable to equity holders of the Company				(935)	(729)	9,241
Basic earnings per share [4]	1.13	0.85	0.51	(0.78)	(1.36)	3.45
Diluted earnings per share [4]	1.13	0.85	0.51	(0.78)	(1.36)	3.43
Dividend per Ordinary Share [4]					0.74	1.48

Interim Dividend					0.74	0.66
Final Dividend						0.82
Number of Ordinary Shares outstanding (in millions)	3,782.3	3782.3	3,780.3	3,784.5	2,059.5	2,098.1
Dividend pay-out ratio (5)	n.a	n.a	n.a	n.a	n.a.	34.3%

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	Year ended December 31,					
	2011 USD(1)	**2011 EUR**	**2010(7) EUR**	**2009(7) EUR**	**2008(7) EUR**	**2007(7) EUR**
	(in billions, except amounts per share and ratios)					
IFRS-IASB Consolidated Balance Sheet Data						
Total assets	1,696.4	1,273.6	1,242.7	1,159.8	1,328,6	1,313,2
Investments:						
Banking	111.6	83.8	110.9	105.5	148.8	160.4
Insurance	178.0	133.6	123.3	106.6	109.5	132.3
Total	**289.6**	**217.4**	**234.2**	**212.1**	**258.3**	**292.6**
Loans and advances to customers	795.1	596.9	608.9	575.3	616.8	553.7
Insurance and investment contracts:						
Life	349.1	262.1	255.5	226.2	214.3	232.4
Non-life	4.7	3.5	3.6	3.5	6.8	9.6
Investment contracts	17.6	13.2	12.0	11.3	21.1	23.7
Total	**371.4**	**278.8**	**271.1**	**241.0**	**242.2**	**265.7**
Customer deposits and other funds on deposit:						
Savings accounts of the banking operations	388.3	291.5	324.6	304.1	274.3	275.1
Other deposits and bank funds	234.4	176.0	186.8	165.4	248.5	250.1
Total	**622.7**	**467.5**	**511.4**	**469.5**	**522.8**	**525.2**
Amounts due to banks	96.2	72.2	72.9	84.2	152.3	167.0
Shareholders equity	56.6	42.5	37.7	30.9	14.9	37.7
Non-voting equity securities	4.0	3.0	5.0	5.0	10.0	
Shareholders equity per Ordinary Share(4)	14.95	11.22	9.98	8.17	7.37	17.98
Share capital in number of shares (in millions)	3,831.6	3,831.6	3,831.6	3,831.6	2,063.1	2,226.4

(1) Euro amounts have been translated into U.S. dollars at the exchange rate of $ 1.3320 to EUR 1.00, the noon buying rate in New York City on March 1, 2012 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

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

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

(4) Basic earnings per share amounts have been calculated based on the weighted average number of Ordinary Shares outstanding and Shareholders equity per share amounts have been calculated based on the number of Ordinary Shares outstanding at the end of the respective periods. For purposes of this calculation ING Groep N.V. shares held by Group companies are deducted from the total number of Ordinary Shares in issue. The rights issue, which was finalized on December 15, 2009 has an effect on the basic earnings per share and the diluted earnings per share, as defined in IFRS IASB. All weighted average number of shares outstanding before the rights issue are restated with an adjustment factor that reflects the fact that the exercise price of the rights issue was less than the fair value of the shares, see Note 49 of Note 2.1 to the consolidated financial statements. The effect of dilutive securities is adjusted as well.

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

(6) For details of the agreements with the Dutch State, see Note 13 of Note 2.1 to the consolidated financial statements.

(7) Restated to reflect the change in accounting policy i.e. move towards fair value accounting for Guaranteed Minimum Withdrawal Benefits for life in the US Closed Block VA as of January 1, 2011, see Basis of Presentation of Note 2.1 to the consolidated financial statements.

(8) For details on Discontinued operations, see Note 25 of Note 2.1 to the consolidated financial statements.

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EXCHANGE RATES

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

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

	U.S. dollars per euro			
Calendar Period	**Period End(1)**	**Average Rate(2)**	**High**	**Low**
2007	1.4603	1.3794	1.4862	1.2904
2008	1.3919	1.4695	1.6010	1.2446
2009	1.4332	1.3955	1.5100	1.2547
2010	1.3269	1.3218	1.4536	1.1959
2011	1.2973	1.4002	1.4875	1.2926

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

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

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

	High	**Low**
September 2011	1.4283	1.3446
October 2011	1.4164	1.3281
November 2011	1.3803	1.3244
December 2011	1.3487	1.2926
January 2012	1.3192	1.2686
February 2012	1.3464	1.3087

The Noon Buying Rate for euros on December 31, 2011 was EUR 1.00 = $ 1.2973 and the Noon Buying Rate for euros on March 1, 2012 was EUR 1.00 = $ 1.3320.

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RISK FACTORS

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

Risks Related to Financial Conditions, Market Environment and General Economic Trends.

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

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

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

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

Shareholders equity and our net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders equity and net result in future periods, including as a result of the potential consequences listed above. See Turbulence and volatility in the financial markets have adversely affected us, and may continue to do so below.

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

The capital and credit markets have been experiencing extreme volatility and disruption since the second half of 2008. In some cases, market developments have resulted in restrictions on the availability of liquidity and credit capacity for certain issuers.

We need liquidity in our day-to-day business activities to pay our operating expenses, interest on our debt and dividends on our capital stock; maintain our securities lending activities; and replace certain maturing liabilities. The principal sources of our funding are deposit funds, insurance premiums, annuity considerations, cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets may also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium-and long-term debt, subordinated debt securities, capital securities and stockholders equity.

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

Disruptions, uncertainty or volatility in the capital and credit markets, such as that experienced over the past few years, including in relation to the ongoing European sovereign debt crisis, may also limit our access to capital required to operate our business. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force us to (1) delay raising capital, (2) reduce, cancel or postpone payment of dividends on our shares, (3) reduce, cancel or postpone interest payments on other securities, (4) issue capital of different types or under different terms than we would otherwise, or (5) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

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

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

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

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

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

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

In our life and non-life insurance and reinsurance businesses, we are subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics that may be more severe or difficult to predict as a result of variable climate conditions, as well as events such as terrorist attacks and political and social unrest.

The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. Furthermore, we are subject to actuarial and underwriting risks such as, for instance, mortality, longevity, morbidity, and adverse claims development which result from the pricing and acceptance of insurance contracts. In accordance with industry practices, modelling of natural catastrophes is performed and risk mitigation measures are taken. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although we continually review the adequacy of the established claim reserves, there can be no assurances that our actual claims experience will not exceed our estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, our earnings may be reduced and our net results may be adversely affected.

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

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

We are subject to detailed banking, insurance, asset management and other financial services laws and government regulation in each of the jurisdictions in which we conduct business. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, anti-money laundering, anti-terrorism measures, privacy, record keeping, product and sale suitability, and marketing and sales practices, and our own internal governance practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may also change at any time and in ways which have an adverse effect on

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our business, and it is difficult to predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, regulators and other supervisory authorities in the EU, the US and elsewhere continue to scrutinize the financial services industry and its activities under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. Regulation is becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which we operate, often requiring additional Company resources. These regulations can serve to limit our activities, including through our net capital, customer protection and market conduct requirements, and restrictions on businesses in which we can operate or invest. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently considering, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including in the areas of prudential rules, capital requirements, executive compensation, crisis and contingency management, bank levies and financial reporting, among others. Additionally, governmental and regulatory authorities in the Netherlands as well as in a multitude of jurisdictions continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions).

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

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretation or under development or may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, or we fail to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, amongst other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition.

Basel III

In addition, the Basel Committee on Banking Supervision has announced higher global minimum capital standards for banks, and has introduced a new global liquidity standard and a new leverage ratio. The Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and limit leverage . Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on January 1, 2019, will rise to 7%. Basel III also introduces a countercyclical buffer as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III calls for stricter definitions of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitization activities to be introduced at the end of 2011 as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board (FSB) are currently considering measures that may have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFI), in addition to the Basel III requirements otherwise applicable to most financial institutions. ING has been designated as a G-SIFI.

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

Solvency II

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

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

Solvency II, if implemented, will effect a full revision of the insurance industry s solvency framework and prudential regime and will impose group level supervision mechanisms. We are unable to predict precisely how any regulations resulting from such initiatives and proposals could affect our results of operations, financial condition and liquidity.

Formally, each member state of the European Economic Area (EEA), including the Netherlands, is currently required to begin implementing Solvency II by October 31, 2012. Discussions are ongoing to postpone the Solvency II implementation date (likely until 2014 or 2015), and a European Parliament vote on this matter is currently expected in the spring of 2012. In case such voting is further delayed and the European Parliament does not approve a postponement of the implementation of Solvency II well in advance of October 31, 2012, the current Solvency II framework may need to be applied effective as of October 31, 2012. Implementation of Solvency II by October 31, 2012 may be further complicated by the fact that Level 2 measures and Level 3 guidance is not expected to be finalized by such date and the fact that it is unlikely that all member states will have their regulatory framework in place at that time. We cannot currently predict how these uncertainties at the EU and national levels, if not resolved in a timely fashion, will impact the insurance industry generally or our business and operations in particular.

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

EU Insurance Guarantee Scheme

In July 2010, the European Commission released a white paper detailing the need to establish minimum levels of protection for consumers of life and non-life insurance products in the event that insurance companies in the European Union with which they do business were to become insolvent. Though the mechanisms for providing any such protections remain under review by the European Commission, the European Parliament and the member states, the European Commission may currently be considering providing this protection by (i) mandating the creation of (or harmonization of existing) national level insurance guarantee schemes and/or (ii) implementing an EU-wide insurance guarantee scheme, which such scheme(s) may require significant prefunding by insurance companies. The implementation of an insurance guarantee scheme requiring significant levels of prefunding (or, in the event that prefunding is not required, the occurrence of circumstances requiring the commencement of event-driven contributions) may have a material and adverse impact on the liquidity, financial condition and operations of companies engaged in the insurance business, including us.

Dodd-Frank Act

Furthermore, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or the Dodd-Frank Act) has imposed comprehensive changes to the regulation of financial services in the United States and has implications for non-US financial institutions with a US presence, such as ING. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, a process that is underway and is expected to continue over the next few years. While

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some studies have already been completed and the rulemaking process has begun, there continues to be significant uncertainty regarding the results of ongoing studies and the ultimate requirements of regulations that have not yet been adopted. We cannot predict with any certainty how Dodd-Frank and such regulations will affect the financial markets generally, impact the Group s business, credit or financial strength ratings, results of operations, cash flows or financial condition or advise or require the Group to raise additional capital. Key aspects of Dodd-Frank that we have identified to date as possibly having an impact on the Group include:

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

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

Title VII Dodd-Frank creates a new framework for regulation of the over-the-counter (OTC) derivatives markets and certain market participants which could affect various activities of the Group and its subsidiaries. New margin and capital requirements on market participants contained in final regulations adopted by the Commodity Futures Trading Commission (CFTC) (and in regulations that may be adopted by the SEC) could substantially increase the cost of hedging and related operations, affect the profitability of our products or their attractiveness to our customers, or cause us to alter our hedging strategy or change the composition of risks we do not hedge

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

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

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

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

Foreign Account Tax Compliance Act

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

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

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

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

Dutch Intervention Act

In October 2011 the Ministry of Finance submitted a bill to the Dutch Parliament called the Intervention Act . The Intervention Act would amend the Dutch Financial Supervision Act and the Dutch Insolvency Act and set out what actions can be taken by Dutch authorities when banks and insurers fail and cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of overall financial system. The proposal provides for two categories of measures. The first category includes measures related to the timely and efficient liquidation of failing banks and insurers and would give the Dutch Central Bank (De Nederlandsche Bank N.V., DNB) the power to transfer customer deposits, assets and/or liabilities other than deposits and shares of an entity to third parties or to a bridge bank. The DNB would also be granted the power to influence the internal decision making of failing institutions. The second category includes measures intended to safeguard the stability of the financial system as a whole and grants special powers to the Minister of Finance, including the power to take ownership of failing financial institutions. The Intervention Act also includes proposals to limit the ability of counterparties to exercise their rights after any of the measures mentioned above has been put into place. The Intervention Act has not been approved by the Dutch Parliament as of this writing (and remains subject to change). If approved, the Intervention Act is not expected to enter into force until July 1, 2012 at the earliest. We are unable to predict what effects, if any, the Intervention Act (if passed) may have on the financial system generally, our counterparties, or on us, our operations or our financial position.

The Financial Stability Board

In addition to the adoption of these measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the Financial Stability Board (FSB), consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Group s subsidiaries conduct business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, including proposals governing consolidated regulation of insurance holdings companies by the Financial Services Agency in Japan, proposals governing executive compensation by the financial regulators in the Netherlands (DNB), Germany (BaFIN) and the United Kingdom (FSA).

Additional Governmental Measures

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

Sections 382 and 383 of the U.S. Internal Revenue Code contain tax attribute limitation rules, the general purpose of which is to prevent trafficking in tax losses and credits (i.e. they are anti-abuse rules), but which can apply without regard to whether a loss trafficking transaction occurs or is intended. These rules are triggered when an ownership change (as specially defined for U.S. federal income tax purposes) occurs. As of December 31, 2011, we believe that our U.S. subsidiaries have not had an ownership change for purposes of Sections 382 and 383. However, this determination is subject to uncertainties and is based on various assumptions. Future increases of capital or other changes in ownership may adversely affect our cumulative ownership, and could trigger an ownership change , which could limit the ability of our U.S. subsidiaries to use tax attributes, and could correspondingly decrease the value of these attributes.

On September 28, 2011, the European Commission published a proposal for a financial transaction tax that would be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the European Union. If not adopted by the European Union as a whole, such a tax might nonetheless be adopted by one or more European Union member states (as has recently been proposed in the Netherlands and approved in France by the French Parliament on certain financial instruments). As proposed, this tax could require us to pay a tax on transactions in financial instruments with parties (including, with respect to the EU-wide proposal, Group affiliates) located in the European Union. The Ministry of Finance in the Netherlands has put forward a proposal to introduce a banking tax in the Netherlands. That proposal, if approved by the Dutch Parliament, will likely result in increased taxes on ING s Banking operations, which could negatively impact our operations, financial condition and liquidity. In addition, it is possible that the United States Congress may adopt a form of financial crisis responsibility fee and tax on banks and other financial firms to mitigate costs to taxpayers of various government programs established to address the financial crisis and to offset the costs of potential future crises. The Obama Administration s 2013 revenue proposals include

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such a fee. Any regulations resulting from these financial transaction tax initiatives and proposals could affect our operational results, financial condition and liquidity, and could negatively impact the costs and scope of our transactions, including transactions with other financial institutions.

Test Achats Decision

On March 1, 2011, the European Court of Justice issued its judgment in the widely-followed Test Achats case. The Test Achats decision, in effect, provides that the use of gender as a factor in the pricing of or benefits under life and non-life insurance coverage is incompatible with the principles of equal treatment of men and women under the EU Charter. The Test Achat decision provides for a transition period, however, until December 21, 2012, after which the use of such gender-based factors will no longer be permissible. It is unclear whether this prohibition also applies to existing insurance contracts. While it is too early to assess the impacts of the Test Achats case on ING s insurance business, it is expected that the industry generally will incur potentially significant compliance-related costs as policy forms, underwriting and pricing criteria, and related systems undergo required modifications. On December 22, 2011, the European Commission issued

guidelines to assist the insurance industry in implementing unisex pricing by December 21, 2012 (i.e., the end of the transition period specified in the Test Achats decision). ING is unable at this stage to quantify the extent of any such costs or other impacts on its business, and intends to follow closely the implementation of the Test Achats decision and the guidelines published by the European Commission.

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

General

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

While certain of such conditions have improved over 2009 and 2010, these conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities (ABS) and other structured products have significantly deteriorated. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the United States, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see U.S. Sovereign Credit Rating and European Sovereign Debt Crisis below). As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been experiencing heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including extreme levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world. In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the ongoing and unprecedented volatility in the global financial markets since 2007, we have incurred substantial negative revaluations and impairments on our investment portfolio, which have impacted our shareholders equity and earnings. During 2009, 2010 and 2011 the revaluation reserve position improved

substantially, positively impacting shareholders equity. Although we believe that reserves for insurance liabilities are generally adequate at the Group, inadequacies in certain product areas have developed.

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

U.S. Sovereign Credit Rating

After a period of uncertainty as to whether U.S. lawmakers would be able to reach the political consensus needed to raise the federal debt ceiling, and notwithstanding that U.S. lawmakers passed legislation to raise the federal debt ceiling before the U.S. actually defaulted on any of its obligations, on August 5, 2011, Standard & Poor s Ratings Group, Inc. lowered its long term sovereign credit rating on the United States of America from AAA to AA+. Although other ratings agencies have not similarly lowered the long term sovereign credit rating of the United States of America, they have put that credit rating on review. There continues to be a perceived risk of a future sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. A downgrade of the sovereign credit ratings of the U.S. government and the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact to the Group.

European Sovereign Debt Crisis

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU peripheral states to continue to service their sovereign debt obligations. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. Despite assistance packages to Greece, Ireland and Portugal, the creation of a joint EU-IMF European Financial Stability Facility in May 2010, and announced plans in the summer of 2011 to expand financial assistance to Greece, uncertainty over the outcome of the EU governments financial support programs and worries about sovereign finances persisted and, notwithstanding increased purchases of sovereign bonds by the European Central Bank and measures taken by other central banks to enhance global liquidity, ultimately spread from peripheral to core European Union member states in the fall of 2011. Market concerns over the direct and indirect exposure of European banks and insurers to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December, 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long term fiscal responsibility on the part of the individual member states and bolster market confidence in the Euro and European sovereign debt; however, such proposed steps are subject to final agreement (and in some cases, ratification and/or other approvals) by the European Union member states that are party to such arrangements and thus the implementation of such steps in their currently-contemplated form remains uncertain, and even if such steps are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, even if such long term structural adjustments are ultimately implemented, the future of the Euro in its current form, and with its current membership, remains uncertain.

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

During the week of December 5, 2011, Standard & Poor s Ratings Group, Inc., citing ongoing political and economic uncertainties related to the European sovereign debt crisis, placed the credit ratings of the European Union, its member states included in the Eurozone (other than Cyprus and Greece) and several European banks on credit watch negative , indicating that Standard & Poor s Ratings Group, Inc. might reduce the credit ratings of one or more such entities in the near term. On January 13, 2012, Standard & Poor s Ratings Group, Inc. proceeded to downgrade the credit ratings of France, Austria, Italy, Spain, Portugal and a handful of other EEA states (while reaffirming the credit ratings of Germany, the Netherlands, Ireland and other EEA states). Further related downgrades of European sovereign ratings and of corporate ratings have occurred since that date, including the downgrade of Greece s sovereign credit rating to selective default by Standard & Poor s Ratings Group, Inc. on February 27, 2012 as a result of a debt restructuring that is expected to impose significant losses on private creditors (including ING). These announcements, as well as any further future downgrades, could negatively affect borrowing costs of the affected entities, increase overall economic volatility, and affect the operation of our businesses.

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

There is substantial competition in the Netherlands and the other countries in which we do business for the types of insurance, commercial banking, investment banking, asset management and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including relative service levels, the prices and attributes of products and services, and actions taken by competitors. If we are not able to match or compete with the products and services offered by our competitors, it could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the Rest of Western Europe, the United States, Canada and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships with our competitors. The Netherlands and the United States are our largest markets for both our banking and insurance operations. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank. Our main competitors in the insurance sector in the Netherlands are Achmea, ASR, Delta Lloyd and Aegon. Our main competitors in the United States are insurance companies such as Lincoln National, Hartford,

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Aegon Americas, AXA, Met Life, Prudential, Nationwide and Principal Financial. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of our other markets may significantly impact our results if we are unable to match the products and services offered by our competitors. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan we were required to agree to certain restrictions imposed by the EC, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See Risks related to the Restructuring Plan The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

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

General

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

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

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

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot

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be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those currently experienced. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of our rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Any of these developments or losses could materially and adversely affect our business, financial condition, results of operations, liquidity and/or prospects.

Reinsurers

Our insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both our life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. Because in most cases we must pay the policyholders first, and then collect from the reinsurer, we are subject to credit risk with respect to each reinsurer for all such amounts. As a percentage of our net reinsurance exposure as of December 31, 2011, the greatest exposure after collateral to an individual external reinsurer was approximately 21%, approximately 47% related to four other external reinsurers and the remainder of the reinsurance exposure related to various other reinsurers. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to us, or the insolvency of our reinsurers, could have a material adverse effect on our net results and our financial results.

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

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

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

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

Changes in prevailing

interest rates may negatively affect our business including the level of net interest revenue we earn, and for our banking business the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in the interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings.

Declining interest rates may result in:

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

- increased premium payments on products with flexible premium features

- a higher percentage of insurance and annuity contracts remaining in force from year-to-year, potentially resulting in greater claims costs than we expected and creating asset liability duration mismatches addition to provisions for guarantees included in life insurance and annuity contracts, as the guarantees become more valuable to policy holders

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

reserve strengthening by affecting the results of our reserve adequacy testing

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

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

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

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In addition, certain statutory capital and reserve requirements are based on formulas and models that consider interest rates, and an extended period of low interest rates may increase the statutory capital we are required to hold and the amount of assets we must maintain to support statutory reserves.

Rapidly increasing interest rates may result in:

- decrease the demand for loans

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

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

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

In the Netherlands and other jurisdictions deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. As a result of the increased number of bank failures, in particular since the fall of 2008, we expect that levies in the industry will continue to rise as a result of the Compensation Schemes. In particular, we are a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme are allocated among the participating banks by the Dutch Central Bank, De Nederlandsche Bank N.V. (DNB), based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Schemes. Given our size we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. The ultimate costs to the industry of payments which may become due under the Compensation Schemes, remains uncertain although they may be significant and these and the associated costs to us may have a material adverse effect on our results of operations and financial condition. Going forward the Dutch Deposit Guarantee Scheme will change from an ex-post scheme, where we contribute after the failure of a firm, to an ex-ante scheme where we pay yearly contributions to ensure the scheme holds a target level of fund regardless of whether any failures occur. The costs associated with potential future yearly contributions are today unknown, but given our size may be significant.

Risks Related to the Group s Business, Operations, and Regulatory Environment

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

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

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the credit worthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on

transactions, perhaps significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction costs and other costs. Our hedging strategies and the derivatives that we use and may use may not adequately mitigate or offset the risk of interest rate volatility, and our hedging transactions may result in losses.

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

ING Group may be unable to retain key personnel.

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

As a part of the responses of the European Commission and governments throughout Europe to the financial crisis in 2008, there have been various legislative initiatives, including those set out in Directive 2010/76/EU (CRD III), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority (EBA) and the Regulation of the Dutch Central Bank on Sound Remuneration Policies (Regeling beheerst beloningsbeleid Wft 2011) and the Dutch legislative proposal to prohibit the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid in the future, to ensure that financial institutions remuneration policies and practices are consistent with and promote sound and effective risk management, and that impose restrictions on the remuneration of personnel, in particular senior management, with a focus on risk alignment of performance-related remuneration. These restrictions have had and will have an impact on existing ING Group s remuneration policies and individual remuneration packages of personnel.

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

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

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

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

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

ING Insurance has a significant exposure to the take up of policy options by policyholders. The exposure is greatest for variable annuity business with guarantees deeply in-the-money, policyholder behaviour is difficult to predict and small changes in the proportion of policyholders taking up an option can have a significant financial impact. Furthermore, assumptions about policyholder behaviour are sometimes made for new insurance business without a substantial amount of experiential data. These assumptions may prove imperfect, which can have a material impact on results. See- Because we use assumptions about factors, the use of different assumptions about these factors may have an adverse impact on our results of operations for a discussion of US variable annuity-related charges taken in the fourth quarter of 2011

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

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

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

The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historic experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to the government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us. Such information may not always be correct, updated or correctly evaluated.

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

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

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

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

When new financial products are brought to the market, communication and marketing aims to present a balanced view of the product (however there is a focus on potential advantages for the customers). Whilst we engage in a due diligence process when we develop products, if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations, customers may file mis-selling claims against us. Mis-selling claims are claims from customers who allege that they have received misleading advice or other information from either ING internal or external advisors (even though ING does not always have full control over the external advisors). Complaints may also arise if customers feel that they have not been treated

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reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and money has been invested in reviewing and assessing historic sales practices, and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and/or regulatory changes resulting from such issues could have a material adverse effect on our reputation, operations and net result.

Customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence client expectations.

Ratings are important to our business for a number of reasons. Downgrades could have an adverse impact on our operations and net results.

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

Claims paying ability, at the Group or subsidiary level, and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade could elevate lapses or surrenders of policies requiring cash payments, which might force us to sell assets at a price that may result in realized investment losses. Among others, total invested assets decreases and deferred acquisition costs might need to be accelerated, adversely impacting earnings. A downgrade may adversely impact relationships with distributors of our products and services and customers, which may affect new sales and our competitive position.

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

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

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

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

- reduced levels of unrealized capital gains available to us which could negatively impact our solvency position and net income,

- a decrease of collateral values,

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

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

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

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

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

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

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

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

In addition, in the context of certain property & casualty risks underwritten by our insurance subsidiaries (particularly long-tail risks), a sustained increase in inflation with a resulting increase in market interest rates may result in (1) claims inflation (i.e., an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim), coupled with (2) an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders, and, consequently, (3) actual claims payments significantly exceeding associated insurance reserves which would negatively impact our results of operations. In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in a systemic mispricing of our products resulting in underwriting losses which would negatively impact our results of operations.

Operational risks are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate trained or skilled personnel, IT failures, inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct including fraud, or from external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may be at or near the end of their useful lives or may not be capable of processing, storing or transmitting information as expected. Certain of our computer systems and networks may also have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, such systems and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other external attacks or internal breaches that could have a security impact and jeopardize our confidential information or that of our clients or our counterparts. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness. We also face the risk that the design and operating effectiveness of our controls and procedures prove to be inadequate or are circumvented. Furthermore, widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilization of health benefits offered to our employees, either or both of which could adversely impact our business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, the payment of insurance and pension benefits to employees and the loss of key personnel. If our business continuity plans are not able to be implemented or do not take such events into account, losses may increase further.

We have suffered losses from operational risk in the past and there can be no assurance that we will not suffer material losses from operational risk in the future.

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

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

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

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

Adverse publicity and damage to our reputation arising from our failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well known companies, increasing regulatory and law enforcement scrutiny of know your customer anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund, banking and insurance industries, and litigation that arises from the failure or perceived failure by us to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputation harm, lead to increased regulatory supervision, affect our ability to attract and retain customers, maintain access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable.

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Risks related to the Restructuring Plan

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

In November 2008 the Dutch State purchased the Core Tier 1 Securities, and in the first quarter of 2009 we entered into the Illiquid Asset Back-up Facility (IABF) with the Dutch State. As a result of having received state aid through the Dutch State Transactions, we were required to submit a restructuring plan (the Restructuring Plan) to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On October 26, 2009, we announced our Restructuring Plan, pursuant to which we are required to divest by the end of 2013 all of our insurance business, including the investment management business, as well as ING Direct US, which operates our direct banking business in the United States, and certain portions of our retail banking business in the Netherlands. The EC s approval of the Restructuring Plan was issued on November 18, 2009. On January 28, 2010 ING lodged an appeal with the General Court of the European Union (the General Court) against specific elements of the EC s decision regarding the Restructuring Plan. On March 2, 2012, the Court partially annulled the Commission s decision of November 18, 2009 and as a result a new decision must be issued by the Commission. Interested parties can file an appeal against the General Court s judgment before the Court of Justice of the European Union within two months and ten days after the date of the General Court s judgment.

In connection with the Restructuring Plan, we were required to agree to not be a price leader in certain EU markets with respect to certain retail, private and direct banking products and to refrain from (i) acquisitions of financial institutions and (ii) acquisitions of other businesses if this would delay our repayment of the remaining Core Tier 1 Securities. Those limitations may last until at least November 18, 2012 and could adversely affect our ability to maintain or grow market share in key markets as well as our results of operations. See Risks Related to the Group The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group .

There can be no assurance that we will be able to implement the Restructuring Plan successfully or complete the announced divestments on favorable terms or at all, particularly in light of both the plan s 2013 deadline and expected challenging market conditions in which other financial institutions may place similar assets for sale during the same time period and may seek to dispose of assets in the same manner. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Group. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, we or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and we and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with our employees, and specific proposals in connection with the implementation may be opposed by labor unions or works councils. Furthermore, following the announcement of the Restructuring Plan, several of our subsidiaries have been downgraded or put on credit watch by rating agencies. See Risks Related to the Group Ratings are important to our business for a number of reasons. Downgrades could have an adverse impact on our operations and net results .

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

Any failure to complete the divestments on favorable terms, could have a material adverse impact on our assets, profitability, capital adequacy and business operations. If we are unable to complete the announced divestments in a timely manner, we would be required to find alternative ways to reduce our leverage, and we could be subject to enforcement actions or proceedings by the EC. In particular, if we do not succeed in completing divestitures as described in the Restructuring Plan within the timelines set out therein, the EC may request the Dutch State to appoint a divestiture trustee with a mandate to complete the relevant divestiture with no minimum price.

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

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

As part of our Restructuring Plan, we have undertaken with the EC to accept certain limitations on our ability to compete in certain retail, private and direct banking markets in the European Union and on our ability to acquire (i) financial institutions and (ii) businesses insofar this would delay our repayment of the remaining Core Tier 1 Securities held by the Dutch State. These restrictions in principle apply until the earlier of (1) November 18, 2012, and (2) the date upon which we repay all remaining Core Tier 1 Securities held by the Dutch State. We were also required to agree to limitations on our ability to call Tier-2 capital and Tier 1 hybrid debt instruments. If the EC does not approve the calling of Tier-2 capital and Tier 1 hybrid debt instruments in the future, this may have adverse consequences for us, result in additional payments on these instruments and limit our ability to seek refinancing on more favorable terms. The limitations described above will impose significant restrictions on our banking business operations and on our ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect our ability to maintain or grow market share in key markets, as well as our results of operations.

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

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

Our Restructuring Programs may not yield intended reductions in costs, risk and leverage.

On October 26, 2009, we announced that we had reached an agreement with the EC on the Restructuring Plan. Projected cost savings and impact on our risk profile and capital associated with these initiatives are subject to a variety of risks, including:

- contemplated costs to effect these initiatives may exceed estimates;

- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under Risks Related to the Group The implementation of the Restructuring Plan and the divestments anticipated in connection with that plan will significantly alter the size and structure of the Group and involve significant costs and uncertainties that could materially impact the Group ;

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initiatives we are contemplating may require consultation with various regulators as well as employees and labor representatives, and such consultations may influence the timing, costs and extent of expected savings;

the loss of skilled employees in connection with the initiatives; and

projected savings may fall short of targets.

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

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

For so long as the Dutch State holds at least 25% of the Core Tier 1 Securities, for so long as the IABF is in place or for so long as any of the government guaranteed senior unsecured bonds issued by ING Bank N.V. under the Credit Guarantee Scheme of the Netherlands (the Government Guaranteed Bonds) are outstanding we are prohibited from issuing or repurchasing any of our own shares (other than as part of regular hedging operations and the issuance of shares according to employment schemes) without the consent of the Dutch State s nominees on the Supervisory Board. In addition, under the terms of the Core Tier 1 Securities and IABF, we have agreed to institute certain restrictions on the compensation of the members of the Executive Board and senior management, including incentives or performance-based compensation. These restrictions could hinder or prevent us from attracting or retaining the most qualified management with the talent and experience to manage our business effectively. In connection with these transactions, the Dutch State was granted the right to nominate two candidates for appointment to the Supervisory Board. The Dutch State s nominees have veto rights over certain material transactions. Our agreements with the Dutch State have also led to certain restrictions imposed by the EC as part of the Restructuring Plan, including with respect to our price leadership in EU banking markets and our ability to make acquisitions of financial institutions and other businesses. See The limitations required by the EC on our ability to compete and to make acquisitions or call certain debt instruments could materially impact the Group above.

Whenever the overall return on the (remaining) Core Tier 1 securities issued to the Dutch State is expected to be lower than 10% p.a., the European Commission may consider the imposition of additional behavioural constraints.

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

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

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

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

Additional risks relating to ownership of ING shares

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

While holders of our bearer depositary receipts are entitled to attend and speak at our General Meeting of Shareholders (General Meeting), voting rights are not attached to the bearer depositary receipts. Stichting ING Aandelen (the Trust) holds more than 99.9% of our Ordinary Shares, and exercises the voting rights attached to the Ordinary Shares (for which bearer depositary receipts have been issued). Holders of bearer depositary receipts who attend in person or by proxy the General Meeting must obtain and are entitled to voting rights by proxy from the Trust. Holders of bearer depositary receipts and holders of the ADSs (American depositary shares) representing the bearer depositary receipts who do not attend the General Meeting may give binding voting instructions to the Trust. The Trust is entitled to vote on any Ordinary Shares underlying the bearer depositary receipts for which the Trust has not granted voting proxies, or voting instructions have not been given to the Trust. In exercising its voting discretion, the Trust is required to be guided primarily by the interests of the holders of bearer depositary receipts, while also taking into account:

- our interests, and
- the interests of our affiliates

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

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

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

- market expectations of the performance and capital adequacy of financial institutions in general;
- investor perception of the success and impact of our strategies;
- investor perception of our positions and risks
- a downgrade or review of our credit ratings;
- the implementation and outcome of our Restructuring Plan;

- potential litigation or regulatory action involving ING or sectors we have exposure to through our insurance and banking activities;
- announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and
- general market circumstances.

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

It is ING s policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. See Item 8. Financial Information Dividends . Given the uncertain financial environment, ING will not pay a dividend over 2011 and there can be no assurance that we will pay dividends in the future.

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

The terms of the Core Tier 1 Securities permit us, on or after November 12, 2011, to convert any or all of the remaining Core Tier 1 Securities (EUR 3 billion per May 11, 2011) into Ordinary Shares or bearer depositary receipts on the basis of one Core Tier-1 security for 1,335 Ordinary Shares or bearer depositary receipts. Any such conversion would dilute existing shareholders. If we exercise our conversion right, the Dutch State may opt to require us to redeem the Core Tier 1 Securities on the conversion date at the original issue price of EUR 10 per Core Tier 1 Security, together with the pro rata coupon, if due, accrued to such date.

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

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

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Item 4. Information on the Company
GENERAL

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

The official address of ING Group is:	The name and address of ING Groep N.V. s agent in the United States is:
ING Groep N.V.	ING Financial Holdings Corporation
Amstelveenseweg 500	1325 Avenue of the Americas
1081 KL Amsterdam	New York, NY 10019
P.O. Box 810, 1000 AV Amsterdam	
The Netherlands	United States of America
Telephone +31 20 541 5411	Telephone +1 646 424 6000

Our mission

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

Our profile

ING is a global financial institution of Dutch origin, currently offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. Going forward, we will concentrate on our position as a strong European bank with attractive home market positions in Northern Europe and growth options in Central and Eastern Europe and Asia, while creating an optimal base for independent futures for our insurance operations (including investment management).

Our strategy

To serve the interests of our stakeholders, increase management focus and create value for our shareholders. ING is moving towards separation of its banking and insurance operations. We believe the widespread demand for greater simplicity, reliability and transparency makes the best course of action. The separation is also part of the restructuring plan submitted to the European Commission in order to get approval for the Dutch state aid received during the financial crisis. In the future, ING Bank intends to be a strong European bank, with leading domestic banking positions in attractive, stable home markets, as well as a leading commercial bank in the Benelux and Central and Eastern Europe (CEE). We will also intend to continue to selectively evolve our various ING Direct units into more mature full-service banking models. These initiatives in Europe, coupled with our positions outside of Europe, should give the Bank attractive growth potential in the long term. ING will build on its global presence and international network and capitalise on its leadership position in gathering savings, multichannel distribution, simple propositions and marketing. On the insurance side, the focus will be on continuing to improve performance in order to optimise returns and value for the business as we prepare for separation. We will focus on earning our customers trust through transparent products, value for money and superior service. This reflects our universal customer ideal: saving and investing for the future should be easier.

Our customers

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

Our stakeholders

ING conducts business on the basis of clearly defined business principles. In all our activities, we carefully weigh the interests of our various stakeholders: customers, employees, business relations and suppliers, society at large and shareholders.

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Our corporate responsibility

ING wants to build its future on sustainable profit based on sound business ethics and respect for its stakeholders and to be a good corporate citizen. It is only by acting with professionalism and integrity that we will maintain our stakeholders trust and preserve our reputation. Our Business Principles prescribe the corporate values we pursue and the responsibilities we have towards society and the environment: we act with integrity, we are open and clear, we respect each other and we are socially and environmentally responsible.

CHANGES IN THE COMPOSITION OF THE GROUP

Acquisitions effective in 2011

There were no significant acquisitions in 2011.

Disposals effective in 2011

Pacific Antai Life Insurance Company Ltd.

In June 2011 ING had completed the sale of its entire stake in China s Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank for a consideration of EUR 82 million, and a net profit of EUR 28 million. This is the outcome of a strategic review announced in April 2009 as part of ING s Back to Basics program. The stake in PALIC was previously included in the segment Insurance Asia/Pacific. The deal had been announced in 2009 and was presented as held for sale since 2009 until the sale was completed.

ING REIM Europe, ING REIM Asia and Clarion Real Estate Securities (CRES)

ING announced in February 2011 that it has reached agreement with CB Richard Ellis Group, Inc., to sell ING REIM Europe, ING REIM Asia and Clarion Real Estate Securities (CRES), ING REIM s US-based manager of listed real estate securities, as well as part of ING s equity interests in funds managed by these businesses.

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

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

Clarion Partners

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

ING Investment Management Australia

In October 2011 ING completed the sale of ING Investment Management (ING IM) Australia to UBS AG. ING IM Australia s business provided a number of investment strategies and products directly to the Australian institutional and wholesale markets. This transaction supports ING s objective to actively manage its capital and portfolio of businesses to ensure an attractive and coherent combination for the announced divestment of its insurance and investment management activities. ING IM Australia was previously included in the segment ING Investment Management.

Latin American pensions, life insurance and investment management operations

In December 2011 ING completed the sale of its Latin American pensions, life insurance and investment management operations for a total consideration of EUR 2,637 million to Grupo de Inversiones Suramericana (GRUPOSURA). The sale is the first major step in the divestment of

ING s insurance and investment management activities. Under the terms of the agreement, ING received EUR 2,572 million in cash and GRUPOSURA will assume EUR 65 million in debt. The sale resulted in a net profit of EUR 995 million. Included in the transaction are the mandatory pension and voluntary savings businesses in Chile, Colombia, Mexico, Uruguay and ING s 80% stake in AFP Integra S.A. in Peru; the life insurance businesses in Chile and Peru; As part of this transaction ING sold its 33.7% stake in Peruvian InVita Seguros de Vida S.A. to the Wiese Family,

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ING s joint venture partner in InVita. The transaction also includes the local investment management capabilities in these five countries. Not included in the transaction is ING s 36% stake in the leading Brazilian insurer Sul America SA. ING s Commercial Banking activities in Mexico, Brazil and Argentina are not affected by the announcement. ING s Mortgage and ING s Leasing businesses in Mexico are also not part of the transaction.

The Latin American pensions, life insurance and investment management operations were previously included in the segments Insurance Latin America and ING Investment Management before they were classified as discontinued operations. The segment Insurance Latin America has ceased to exist following this transaction as the majority of assets and liabilities have been sold. The net result from discontinued operations is presented separately in the consolidated profit and loss account. Reference is made to Note 25 Discontinued operations for more detailed disclosures.

ING Car Lease

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

Disposals occured in 2012

ING Direct USA

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

In 2011 ING Direct USA is still included in the segment ING Direct. After this sale ING Direct USA will no longer be consolidated.

In connection with the divestment of ING Direct USA, ING also completed the adjustment of the agreement with the Dutch State concerning the structure of the Illiquid Assets Back-up Facility (IABF) which was also announced on June 16, 2011. The amendment serves to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State. The IABF is further amended to ensure a continued alignment between ING and the State regarding exposure to the Alt-A portfolio. Only the part of the IABF covering ING Direct USA, currently approximately 85% of the total IABF-portfolio, is adjusted in the amendment. The ING Insurance part of the IABF remains unaltered. Reference is made to Note 33 Related parties for details on the original agreement and the amendments made.

For the years 2010 and 2009, see Note 30 of Note 2.1 to the consolidated financial statements.

RECENT DEVELOPMENTS

Major changes in the external environment had an impact on ING in 2011, the most significant being the deepening of the sovereign debt crisis in the eurozone which created an extremely challenging economic and financial market environment in the second half of 2011. Consequently international capital and money markets were not functioning as normal. This had repercussions, especially in Europe where funding for governments and financial institutions dried up in certain markets.

The financial sector was also subjected to further regulatory reform during the year. Although we support in principle the regulatory reforms, we have concerns with both the massive volume of new regulation and the lack of coordination throughout the European Union (EU) and at the international level. ING favours a harmonised approach to new financial regulation in the EU, both with regard to drafting and transposition into national laws. This would minimise interference with the vital role banks have in supporting the real economy. One of our primary concerns, therefore, is the increasing number of national initiatives being taken by different member states on matters that should, for reasons of maintaining a level playing field and enhancing the Single Market, be dealt with at the European level. Examples are the introduction of national bank levies, different interpretations and timing of Basel III rules and liquidity standards. Banks based in countries moving ahead of international regulation could be placed at a competitive disadvantage.

We made good progress in 2011 with the European Commission s restructuring requirements for ING Group, and with the strengthening and streamlining of our banking and insurance businesses. The result is that ING is now in a relatively good position to navigate successfully through the challenges that will undoubtedly come from further changes in the financial and regulatory environment.

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European sovereign debt crisis affected credit and equity markets in 2011

For the eurozone countries in particular, 2011 was a year of two very different halves. In the first half there were still signs of continuing economic recovery; but in the second half the eurozone s sovereign debt crisis which had slowly emerged in 2010, deepened and had a negative knock-on effect on the economy. 2011 was for a large part marked by the inability of public authorities and institutions to solve the crisis.

In the eurozone, credit spreads only slightly increased in the first half of 2011, but moved up in the third quarter of 2011 towards levels not seen since the direct aftermath of the fall of Lehman Brothers in September 2008. In the US, credit spreads followed a similar pattern, but rose less sharply than in the eurozone.

Equity indices in the US and the eurozone decreased in the second and third quarter of 2011 and increased somewhat in the last quarter, but not enough to make up for the earlier downturn. In the eurozone, the FTS Eurofirst 300 Index declined to levels last seen in the second quarter of 2009. The share prices of financial companies were particularly adversely affected. In these difficult market circumstances the performance of the ING share price was better than the FTS E300 Banks Index but somewhat worse than the FTS E300 Life Insurance Index over 2011.

Economies in Europe and beyond suffered a negative turnaround

As a result of the European debt crisis, macroeconomic conditions started to deteriorate in the second half of 2011. Eurozone consumer and producer confidence declined sharply, international trade stopped growing, companies willingness to invest fell and employment perspectives started to deteriorate markedly.

Whilst Europe seemed to be sliding into recession in 2011, the US economy showed signs of resilience in the second half of the year. Jobs data and unemployment rates gave grounds for market confidence and even some of the housing data was less negative than anticipated. However, the rate of growth of the US economy was still low in 2011.

By contrast, in many emerging economies like China, India and Brazil, household spending and corporate investment stayed at elevated levels and thus fuelled job creation, but this was not enough to quell fears of a further widening of global imbalances. Major imbalances between Asia and the Western world and between North and South in Europe continue to exist and threaten economic growth, and the stability of the global financial system. Looking ahead, underlying sovereign and financial system vulnerabilities remain a significant concern. The outlook for a large part of the global economy in 2012 therefore seems to be somewhat gloomy.

The uncertain economic outlook, the turbulence on financial markets, and other factors related to developing market conditions have had implications for ING s strategy. On January 12, 2012 we announced that the base case of two IPOs is replaced by one in which ING will explore other options for its Asian insurance and investment management businesses.

Important changes in regulation and supervision

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

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

First, we are concerned that too much regulation will unnecessarily restrict banking activities needed to support the economy and will make our services more expensive. Second, because of the aggregate impact of various new rules a tendency may emerge in which risks that are normally taken by financial institutions are shifted to customers.

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Third, as many new rules are still in development, we have some concerns about the actual implementation. There is a clear tendency for national authorities to have different and fragmented approaches to implementation, which is reflected both in the speed of introduction of new measures and the content of measures. This applies to the new capital and liquidity standards in Basel III/CRD IV, where regulators in some countries are implementing ahead of the timeframes set by the Basel Committee or are setting additional requirements at the national level. It also holds for crisis management regulation (insolvency laws). While an EU framework is under discussion, several countries are considering or have already announced they will adopt their own specific measures. This is leading to a lot of uncertainty, not only for financial companies, but also for equity investors and bond investors.

EBA stress test and capital exercise

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

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

Additional measures for systemically important financial institutions

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

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

Dutch legislative measures

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

Dutch intervention law

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

Bank levy

On July 1, 2011, the Dutch Ministry of Finance announced a temporary reduction of the real estate transfer tax, from 6% to 2%. In the announcement several ways of funding the reduction were identified, the introduction of a bank tax being one of them. The levy may enter into force in 2012. Dutch and non-Dutch entities with banking activities in the Netherlands will be included in its scope. The taxable base of the levy is the liability side of the (global consolidated) balance sheet with an exemption for equity, for deposits that are covered by a deposit guarantee scheme and for certain liabilities that relate to insurance business. The rate of short-term funding (less than one year) will be twice the rate of long-term funding (more than one year). Currently, total yearly tax proceeds of EUR 300 million are expected. We believe the timing and motivation for such a tax to be less opportune given the economic climate and conditions in financial markets.

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Deposit Guarantee Scheme

In August 2011, the Ministry of Finance and the DNB published their proposal to establish an ex-ante funded Deposit Guarantee Scheme (DGS) in the Netherlands. As was announced at an earlier stage by the minister, the target level of the fund will be 1% of total guaranteed deposits in the Netherlands. This equals about EUR 4 billion, to be built up, in principle, within 15 years. The main element of the proposal is that for each bank the individual target amount is defined as 1% of its guaranteed deposit base. To reach this individual target amount, every bank pays a base premium of 0.025% per quarter of the guaranteed deposits. Additionally a risk add-on of 0%, 25%, 50% or 100% of the base premium has to be paid by every bank, depending on its risk weighting.

Executive compensation legislation

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

Solvency II

The most important regulatory issue for the insurance industry in Europe is the continued development by the European Union of the Solvency II capital adequacy framework. Solvency II is intended to be based on economic, risk-based and market-consistent principles whereby capital requirements across Europe are directly dependent on an insurer s assets and liabilities.

Such a framework should enable insurance companies to play their fundamental role in society for consumers, corporates and the economy. Insurance companies take the risks off the shoulders of consumers by pooling their long-term risks and providing guarantees at affordable prices. Through the accumulation of premiums, insurance companies are also major institutional investors that provide long-term funding to companies and institutions via the capital markets. By spreading risks and extending long-term funding, the insurance industry thereby also plays an invaluable role for society as a whole in dampening volatility through economic cycles

In order to achieve these goals it is very important that the Solvency II framework, as originally envisaged, will become market-based, avoids pro-cyclicality and should be able to withstand market volatility. The framework should therefore ensure that the measures to be implemented are robust enough throughout market cycles.

Moreover, there needs to be a balance between on the one hand pricing that is affordable and on the other hand meeting capital objectives with which the industry can fulfil its long-term obligations. Such a balanced market-based framework should be designed to last for a long time to come and maintain the ongoing trust from consumers, thereby positioning the European insurance industry for the future.

ING wants to work constructively with its colleagues in the insurance industry to advise EU policy makers and regulators to come up with concrete proposals to meet these objectives. It is important that the framework is built to last and will service society as a whole for a long time to come.

In March 2011, the European Insurance and Occupational Pensions Authority (EIOPA) published the results of its Fifth Quantitative Impact Study (QIS5) on Solvency II. ING participated in QIS5 independently as ING Insurance, and also as ING Group, which is in line with our internal preparations to become fully Solvency II-ready. Based on the results, EIOPA and the Dutch Central Bank confirmed that the financial positions of European and Dutch insurers remained sound. Individual results were not disclosed. The results have been fed into the European Commission s process for fine-tuning the Solvency II framework and implementation.

Alignment of remuneration policies with CRD III

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

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

ING s appeal against the EC decision

In January 2010, ING filed an appeal with the General Court of the European Union against specific elements of the European Commission s decision of November 18, 2009 which approved the state aid received and ING s Restructuring Plan. ING requested the Court to annul the decision of the European Commission insofar:

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

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

GROUP STRATEGY

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

We were also able to make good progress on the strategic priorities of ING Group, which are strengthening the financial position, restructuring, streamlining the portfolio, repayment of state aid and building stronger banking and insurance/investment management businesses. Apart from these measures, earning trust remained at the top of our strategic agenda. The past few years have made it clear that it is of crucial importance for financial institutions such as ING to rebuild the trust and confidence of all their stakeholders, first and foremost those of their customers. We believe that trust is and remains the most important license to operate for every financial institution.

Strengthening the financial position

ING Group s underlying net profit was EUR 2,649 million in 2011. This result was reached despite the impact of volatile financial markets, a weakening of the macroeconomic environment, a charge for the Insurance US Closed Block Variable Annuity and impairments on Greek sovereign debt.

Both ING Bank and ING Insurance/Investment Management (ING Insurance/IM) showed clear progress on their respective performance improvement programmes. Despite the far-reaching restructuring that ING Group is undergoing through, we have continued to show solid commercial growth across our franchises, which is a testimony to the dedication and professionalism of our staff as we endeavour to maintain the loyalty of our customers.

ING Bank s results benefited from a healthy interest margin, higher client balances, lower risk costs and focus on cost control. The capital position of the Bank remained strong, with the core Tier 1 ratio stable at 9.6% after absorbing the impact of higher capital requirements under the Capital Requirements Directive III (CRD III) which came into effect at year-end, and despite repaying EUR 3 billion to the Dutch State in 2011.

ING Insurance/Investment Management s operating results mostly showed improvement throughout 2011, reflecting higher fees and premium-based revenues, robust sales growth, an improvement in the investment margin and cost control. A significant earnings charge was taken of EUR 1.1 billion against fourth-quarter results for the Insurance US Closed Block Variable Annuity (VA), a legacy business that was closed in 2009 primarily on revised assumptions for policyholder behaviour.

Going forward, ING Group will strive to further strengthen its financial position by improving operating performance, boosting income and lowering risk and overall costs.

Restructuring and streamlining the portfolio

The restructuring of the Group is on track based on our work towards the separation of the banking and insurance/investment management activities and the execution of divestments.

Separation process on schedule

We continued to work towards the full physical and organisational separation of the banking and insurance/investment management activities. In 2011 we laid the groundwork for the original base case of two IPOs (initial public offerings) of our insurance and investment management activities: one for our US operations and one for our European and Asian activities. However, on January 12, 2012 we announced an update on the restructuring of the insurance and investment management businesses. Due to the uncertain economic outlook and volatile markets, especially in Europe, ING has decided to review other strategic options for its Asian insurance and investment management businesses. For the European insurance/investment management businesses, ING is continuing preparations for a stand-alone future, including the possibility of an IPO. And we are continuing to prepare for the base case of an IPO for the US insurance/ investment management businesses. ING is committed to conducting these processes with the utmost diligence in the interests of all stakeholders, including customers, employees, distribution partners and shareholders.

The separation process of ING Bank and ING Insurance/Investment Management (IM) has been a massive undertaking entailing more than 1,100 projects. It was set up as a four-year programme, running from early 2010 through to the end of 2013. Operational separation was achieved as of January 1, 2011; since then, approximately 90% of the planned full separation projects have been completed. The full separation of ING Insurance US and ING Insurance Eurasia was well underway in 2011. Separation costs for 2011 were about EUR 200 million, well within the budgeted amount of EUR 250 million after tax. This reflects the cost-efficient way in which the separation was handled. Only a small number of projects were carried over from 2011 to 2012 and are expected to be resolved in the first quarter of 2012. In addition, ING will finalise a couple of large longer- term IT projects.

As ING continued to prepare for the restructuring of its insurance/investment management businesses, important steps were made in 2011 to realign the legal structure and governance of the insurance/ investment management operations. Regulatory approvals were nearing completion at the end of 2011 to create one new holding company for the European and Asian insurance and investment management activities, called ING Insurance Eurasia, under ING Verzekeringen N.V. We also created a management board for ING Insurance Eurasia. These represent no regrets steps to allow for strategic flexibility on execution of the divestments of the European and the Asian insurance and investment management businesses. The announcement of a stand-alone future for the European insurance/investment management businesses does not affect governance. The US insurance and investment management operations are expected to continue to be part of a separate, already existing legal entity (ING America Insurance Holdings). We believe that this change in the legal structure will allow ING Group to optimise the capital structure of the separate entities and go further with the disentanglement process in order to be able to move quickly towards the IPO(s) or other options when market conditions become favourable.

ING America Insurance Holdings Inc. is reviewing options to optimise its funding structure independent from the Group and to repay its remaining inter-company debt. After the divestments, ING Verzekeringen N.V. will become a legacy entity and will be wound down over time in an orderly manner, using the cash proceeds from the sale of the Latin American insurance and investment management business that was completed in the fourth quarter of 2011, and other divestments.

Decisive execution of divestments

We took decisive steps to meet the other restructuring demands which are part of the Restructuring Plan, which we submitted to the European Commission (EC) in late 2009 in order to obtain retroactive EC approval of state aid received. In June 2011 we reached an agreement to sell ING Direct USA, meeting one of the principal restructuring requirements. In February 2012 the regulatory approval process was concluded and the sale was closed. ING Direct USA was sold for approximately USD 9 billion (consisting of a combination of cash and shares) to Capital One Financial Corporation (Capital One), a leading US-based financial holding company. In connection with this sale, ING reached an agreement with the Dutch State to adjust the structure of the Illiquid Assets Back-up Facility (IABF).

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Furthermore, we reached an agreement in 2011 to sell our Latin American pensions, life insurance and investment management operations to Grupo de Inversiones Suramericana (GrupoSura) and in Peru to the Wiese Family for approximately EUR 2.6 billion, thereby marking the first major step in the divestment of the insurance and investment management activities.

Westland/Utrecht Bank (WUB) became commercially independent of ING in November 2010 after which options were further explored in 2011 to divest WUB.

In the course of the continued streamlining of our business portfolio we also announced other major divestments. ING Real Estate Investment Management was sold to the US-based CBRE Group and to Clarion Partners management in partnership with Lightyear Capital LLC in two separate transactions for a combined price of approximately USD 1 billion. These transactions fit our strategic objectives of reducing exposure to real estate, simplifying the structure of the company and further strengthening our capital base.

Furthermore, ING Car Lease was sold to BMW s fleet management division Alphabet for approximately EUR 696 million. Going forward ING plans to continue building on its leading position as a predominantly European bank with a strong international network focused on providing customers with consistently high-quality services.

For further details on divestments, please see Item 4. Information on the Company Changes in the Composition of the Group .

Repaying state aid as soon as possible but with prudence

The total amount repaid on the Core Tier 1 Scurities to the Dutch State by the end of 2011 was EUR 7 billion in principal, out of the total capital support provided of EUR 10 billion. Including interest and premium, the payments made to the Dutch State by the end of 2011 reached a total of EUR 9 billion. We have improved efficiency and built up strong capital buffers in the Bank to withstand potential shocks given the uncertain economic environment, while continuing to increase our lending to customers as much as possible to facilitate economic growth as much as possible. As a result, ING was in a position to repurchase a second tranche of support from the Dutch State out of retained earnings in May 2011. This latest repayment of EUR 3 billion (including a EUR 1 billion premium) of capital support to the Dutch State was an important milestone in ING Group s efforts to do business successfully without the financial aid of the Dutch State.

We aim to repay the remaining EUR 3 billion principal of capital support to the Dutch State as soon as possible on terms acceptable to all stakeholders. Ideally we would like to complete the state repayment as soon as possible, however given the current challenging financial environment in the eurozone and increasing regulatory capital requirements we intend to take a cautious approach and maintain strong capital ratios as we build towards Basel III and satisfy other regulatory requirements.

Building stronger Banking and Insurance/Investment Management businesses

Bank

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

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

Our long-term ambition is to be a strong Northern European Bank with a low-risk balance sheet producing a competitive Return on (IFRS-EU) Equity of 10% to 13% through low costs and low risk. ING Bank has a good starting position with a competitive edge, with leading banking positions in its home markets of the Netherlands, Belgium, Luxemburg, Germany and Poland. Furthermore, ING has key positions in other western, central and eastern European countries. This is coupled with options outside of Europe which will give ING Bank interesting growth potential in the long term. It has strong deposit gathering capabilities and a strong funding mix. It has a

well-known brand and it uses the Net Promoter Score (NPS) methodology as a tool to increase customer centricity. The Bank is used to operating in lean, competitive markets which has made us leaders in innovative distribution. It has a leading position in internet banking with a direct first, advice when needed model and a relationship-driven commercial bank offering competitive products in terms of price, efficiency and effectiveness. Going forward, the Bank will focus on restoring trust and customer centricity, on operational excellence and optimising its balance sheet to meet its strategic goals.

Insurance/Investment Management

The main priorities for the insurance and investment management businesses are improving performance and optimising returns and value. In 2011 the businesses made good progress on these priorities. Going forward, ING Insurance/IM will continue to focus on its customers and distributors by providing exemplary products and service, as it restructures in preparation for a stand-alone future.

The operating profit for the insurance/investment management businesses increased compared with the previous year, as measures taken to improve returns continued to gain momentum. An NPS program used in the insurance/investment management businesses has improved customer service levels in the Benelux, Central and Rest of Europe, and Asia/Pacific as well as in the sold Latin American businesses. For more information on NPS, see Earning, Trust below.

Earning trust

Building stronger banking and insurance/investment management businesses is also about earning trust and increasing customer centricity in both banking and insurance/investment management.

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

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

With a clearer focus on customer needs as the anchor of our business operations, ING is not only building businesses that are financially sound and viable, but ones that have the potential to become the supplier of choice for our customers. To monitor progress on customer loyalty we introduced the NPS methodology in 2009 and fully implemented it throughout ING in 2011. It is based on surveys sent to clients, and gauges customer feedback. NPS goes beyond being a measurement tool and is also used as a means of driving growth and changing local business culture. Customers feedback is used to improve ways of doing business.

ING believes that customers, employees, shareholders and the rest of society no longer live in separate worlds that meet intermittently, but have become more integrated. This mutual interdependence of business and society means that organisations must follow the principle of shared value the actions they take must benefit everyone.

The financial crisis of 2008/2009 and its impact on ING made it necessary for us to intensify the dialogue with and rebuild trust among all our stakeholders and society as a whole. Although this need is recognised internationally, it was, and in fact still is, especially urgent in ING s Dutch home market. Deepening relationships with all stakeholders continued to be a key priority in 2011.

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

Conclusions and ambitions

In a challenging environment ING s earnings remained resilient in 2011, and our strong funding position enabled us to continue to increase lending to support our customers in these uncertain times. We were also able to make good progress on our strategic priorities, which are strengthening the financial position, restructuring,

streamlining the portfolio, repayment of state aid and building stronger banking and insurance/investment management businesses. We continued to build our banking and our insurance businesses based on sound business ethics and good corporate citizenship.

As maintaining income levels comes under more pressure we must renew efforts to reduce expenses across the Group to adapt to the leaner financial environment and maintain our competitive position. Despite volatile markets we continue to work towards the separation of our insurance/investment management companies so we will be ready to move ahead with the IPO(s) or other options when markets are favourable. We maintain an open mind on how the future of the insurance/investment management businesses will be shaped. The fact that market values for activities to be divested are very low, requires that we review all options available to us.

ING will make further efforts to divest of businesses to meet the restructuring demands imposed by the European Commission, to simplify the company, to focus on core activities, to further improve our risk profile and to bolster the capital base. It is one of ING s priorities to repay the remaining EUR 3 billion of capital support to the Dutch State as soon as possible, but as discussed above, ING recognises the need to proceed in a prudent manner in light of the current challenging and changing financial and regulatory environment.

CORPORATE GOVERNANCE

Legislative and regulatory developments

On June 6, 2011, the bill on management and supervision was enacted. In anticipation of that bill coming into force, a proposal to align the articles of association of ING Group will be submitted to the 2012 annual General Meeting. Also, the Governance Principles (Insurers Code), adopted by the Dutch Association of Insurers became effective on January 1, 2011. For more information, please refer to the paragraph Corporate Governance Codes below. In addition, several legislative proposals with corporate governance implications were under discussion, or were adopted, in 2011 by the Lower House of the Dutch Parliament, or were under discussion in the Upper House of the Dutch Parliament. These proposals concern, among other things, the bill on revision and claw back of executive bonuses and profit-sharing of directors, the bill on the limitation of liability of supervisors of financial markets and the rules on executive bonuses of directors of financial institutions receiving financial assistance by the Dutch government and the bill on corporate investigation proceedings.

Transactions with the Dutch State

On November 12, 2008, ING Group issued one billion Core Tier 1 Securities (Securities) for a total consideration of EUR 10 billion to the Dutch State. Following the repurchase of 500 million Securities (representing approximately EUR 5 billion) on December 21, 2009 and the repurchase of 200 million Securities (representing approximately EUR 2 billion) on May 13, 2011, another 300 million of Securities representing EUR 3 billion remain outstanding. The Securities do not form part of ING Group s share capital; accordingly they do not carry voting rights in the General Meeting. The financial entitlements of the Securities are described in Note 33 of Note 2.1 to the consolidated financial statements. On January 26, 2009, ING Group reached an agreement with the Dutch State regarding the Illiquid Assets Back-up Facility (IABF), as further described in Note 33 of Note 2.1 to the consolidated financial statements. During 2009, ING Bank N.V. issued various series of debt instruments under the 2008 credit Guarantee Scheme of the Dutch State (Bonds), for the first time on January 30, 2009. As part of these transactions, certain arrangements with respect to corporate governance and remuneration were agreed with the Dutch State which will remain in place as long as the Dutch State owns at least 250 million Securities, or as long as the IABF remains in place (whichever expires last). These arrangements, among other things, allow the Dutch State to recommend two candidates (State Nominees) for appointment to the Supervisory Board. Certain decisions of the Supervisory Board require approval of the State Nominees (these decisions are specified in Item 6. Directors, Senior Management and Employees). Furthermore, in line with these arrangements a sustainable remuneration policy for the Executive Board and Senior Management was introduced in 2010, which contains certain specific arrangements in relation to the remuneration of members of the Executive Board. For more information on the State Nominees and on ING s remuneration policy, please refer to Item 6. Directors, Senior Management and Employees .

Shareholder participation and position of ING Trust Office

During the years 2008 2011, participation of shareholders, excluding the ING Trust Office, and depositary-receipt holders in annual General Meetings consistently increased from 38.7% to 47.1%. Only the extraordinary General Meeting of November 25, 2009 showed a deviation from this trend with a markedly lower turnout of 31.1%. The position of the ING Trust Office and ING Group s depositary receipts structure was evaluated by the Executive Board and the Supervisory Board in 2010. On the basis of this evaluation, the Executive Board and

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the Supervisory Board concluded that it would be premature to change or abolish ING Group s depositary-receipts structure in 2010 and that it would be more appropriate to reconsider this as part of a re-evaluation of ING Group s entire governance structure following the current restructuring of ING Group and the completion of the divestments approved in the 2009 extraordinary General Meeting. The outcome of the aforementioned evaluation was discussed in the 2010 annual General Meeting.

CORPORATE GOVERNANCE CODES

Compliance with the Corporate Governance Code

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

Dutch Banking Code

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

Dutch Insurers Code

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

NYSE Requirements

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

CORPORATE ORGANIZATION

ING Groep N.V. has a Supervisory Board and an Executive Board. The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance are responsible for the day-to-day management of the Group and its business lines (Retail Netherlands, Retail Belgium, ING Direct, Retail Central Europe, Retail Asia, Commercial Banking, Real Estate, Insurance Benelux, Insurance Central and Rest of Europe, Insurance US, Insurance US Closed Block VA, Insurance Asia/Pacific and ING Investment Management). For more information about the Supervisory and Executive Boards, see Item 6. Directors, Senior Management and Employees .

Business Lines

The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance set the performance targets and approve and monitor the budgets prepared by the business lines. Business lines

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formulate strategic, commercial, and financial policy in conformity with the strategy and performance targets set by the Executive Board, the Management Board Banking and the Management Board Insurance. Please see Item 5. Operating and Financial Review and Prospects , Segment Reporting for the total income and result before tax by business line for the years ended 2011, 2010 and 2009.

RETAIL NETHERLANDS

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

Retail Banking reaches its individual customers through internet banking, telephone, call centers, mailings and branches. Using direct marketing methods, it leverages its position as a leading provider of current account services and payments systems to provide other financial services such as savings accounts, mortgage loans, consumer loans, credit card services, investment and insurance products. Mortgages are offered through a tied agents sale force and direct and intermediary channels.

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

As part of the Restructuring Plan and the EC Decision of November 18, 2009, ING has committed to carve out part of its retail banking business: WUH/Interadvies (WUB). WUB commercially and operationally separated from ING Bank on November 18, 2010. WUB is active in mortgages, consumer lending and consumer savings products.

RETAIL BELGIUM

ING Belgium provides banking, insurance (life, non-life) and asset management products and services to meet the needs of individuals, families, companies and institutions through a network of local head offices, 773 branches and direct banking channels (fully automated branches, home banking services and call centres). ING Belgium also operates a second network, Record Bank, which provides a full range of banking products through independent banking agents and credit products through a multitude of channels (agents, brokers, vendors).

ING DIRECT

ING Direct offers a range of easy-to-understand financial products savings, mortgages, retail investment products, payment accounts and consumer lending products primarily through direct channels. Its business model is based on low-cost, simplicity, transparency and offering a superior customer service. It has 24.5 million customers, and leading market positions in most markets in which it operates Canada, Spain, Australia, France, Italy, Germany, Austria and the United Kingdom. In mid-June 2011, ING Group announced the sale of ING Direct USA to Capital One Financial Corporation. The sale (which closed on February 17, 2012) was part of ING s Restructuring Plan filed with the European Commission in 2009 in order for the European Commission to ratify Dutch state aid given to ING. See Item 4. Information on the Company Changes in the Composition of the Group Acquisitions and Disposals Expected and Occurring or Expected To Occur in 2012 ING Direct USA for more information regarding this transaction.

ING Direct showed resilient commercial growth in 2011 bringing the total client balances (includes funds entrusted, retail lending and asset management/mutual funds) to EUR 432.7 billion at the end of December. ING Direct is focusing on maintaining an attractive customer offering in savings and term deposits while continuing to balance its mortgage portfolio growth. At year-end 2011 total funds entrusted to ING Direct worldwide (including ING Direct USA) amounted to EUR 255.4 billion and total lending amounted to EUR 166.4 billion, mainly consisting out of residential mortgages. After the sale of ING Direct USA, the total number of ING Direct worldwide 2011 clients amounts to 16.7 million, client balances amount to EUR 336.2 billion, funds entrusted amount to EUR 191.3 billion and lending amounts to EUR 134.3 billion.

In 2011 ING Direct continued to work towards becoming a complete retail bank, but one which continues to maintain a different approach from its competitors. The bank remained at the cutting edge of internet and mobile banking in 2011, while broadening its product base to achieve greater income diversification. It took further initiatives to optimise its distribution mix, introduced more branches and invested more in cross-selling.

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RETAIL CENTRAL EUROPE

Retail Central Europe has a leading presence in Poland and strong positions in Romania and Turkey. In all three countries, retail banking services are an integrated part of the domestic bank, and serve retail and commercial banking customers, offering a wide range of services. All business units are rapidly expanding into direct distribution, illustrating the convergence of the retail and direct business models.

ING in Poland aims to be the most internet bank . In 2011, its website www.ingbank.pl, was ranked the most user-friendly bank website in Poland by experts from banking website Money.pl. In 2011, ING Bank Turkey launched the Orange account, the country s first variable savings product, developed using ING s extensive savings know-how. The Orange account accelerated an operational transformation and simplification of the business and enhanced ING s image in the Turkish market. It helped double the level of deposits in ING Bank Turkey in 2011 with 44% of all Orange accounts opened coming from new customers. The Orange account positioned ING Bank Turkey as an innovative, customer-savvy savings bank. It also showed how ING could bring its global experience to help local operations in emerging markets best meet the financial needs of their customers. ING in Turkey also launched a mobile phone banking application, which took first prize in the Best Mobile Application category in one of the country s largest award ceremonies. ING Bank Romania carried out an upgrade of its internet banking site, Home Bank. A new interface and improvements in usability resulted in a 39% growth in transactions. In September a mobile version of the Home Bank website was introduced and led to a threefold increase in site visits from smart phones.

RETAIL ASIA

Retail Banking has a leading presence in the important Asian markets of India, China and Thailand. ING Vysya, in which ING has a 44% stake, serves over two million customers and has grown in line with the rapidly growing Indian banking market. The business transformation programme in TMB Bank in Thailand, in which ING has a 30% stake, is yielding results with many operational efficiencies achieved and increased profitability for the third year in row. Bank of Beijing (BoB) in which ING has the largest single shareholding (16.07%) is the largest city commercial bank in China. ING provides principally risk management and retail banking expertise to BoB. The Beijing municipal government recognised ING s work in assisting the bank with its risk management by awarding the company The Great Wall Friendship award. This award is the highest honour for foreign companies that provide expertise which contributes to the development of Chinese capital. As with all other banking business units, Retail Asia s core focus is to become the customer s preferred bank by focusing on operational excellence, customer centricity and being a top employer.

COMMERCIAL BANKING

ING Commercial Banking supports the banking needs of our corporate and institutional clients and is an integral part of ING s One Bank ambition and strategy, originating high-quality assets that earn attractive returns in which to invest both Retail and Commercial Bank customer deposits.

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

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

Lending is a core element of our business and an anchor product in building and supporting client relationships in our target markets creating a position from which we are able to provide other services.

Payments and Cash Management (PCM) is also one of our most important product lines. Alongside General Lending, we consider it a pre-requisite for customer acquisition and retention. During 2011, ING re-defined its PCM strategy. Our ambition is to gain a leading position in the European market and we have launched a multi-year investment programme to this end. In the coming years, we will significantly improve our payments offering to support these goals.

Structured Finance (SF) is a specialist commercial lending business, providing loans to support capital intensive investments and working capital. It is managed in three groups: the Energy, Transport and Infrastructure Group; the Specialised Financing Group; and International Trade and Export Finance.

Leasing and Factoring (L&F) provides financial and operating leasing services for a wide range of equipment as well as receivables financing and other factoring solutions for Commercial Banking clients. The key development during 2011 has been the transformation of the former independent corporate structure of the L&F product lines into two separate product businesses integrated within the Transaction Services division of Commercial Banking.

The Financial Markets (FM) is the global business unit that manages ING s financial markets trading and non-trading activities. FM is managed along three business lines: ALCO manages the interest rates exposures arising from the traditional banking activities, Strategic Trading Platform incorporates the primary proprietary risk taking units; and Clients and Products is the primary customer trading facilitation business line.

REAL ESTATE

During 2011 Real Estate Finance (REF) maintained the quality of its credit portfolio at a satisfying level, despite the challenging market circumstances. The volume of new transactions fell in 2011 in Europe as part of our strategy to reduce exposure to real estate in general, while investors continued their focus on core assets. The US businesses closed numerous restructurings, thereby optimising the portfolio, while the Asian and Australian businesses faced increased competition from regional players. Real Estate Development (ING RED) and Real Estate Investment Management (ING REIM) continued with a controlled wind down of activities

INSURANCE BENELUX

Insurance Benelux completed the integration of the Dutch insurance operations under the Nationale-Nederlanden banner, one year ahead of schedule. The two-year programme has led to major cost savings and increasing efficiency for the business in the Benelux. Including the rise of NN Services that manages all Retail Life Closed Book business.

In 2011, in response to the changing regulatory and economic environment and changing customer demands, Nationale-Nederlanden introduced new low-cost bank pension savings products and annuities. ING Life Belgium introduced a new Universal Life product.

Nationale-Nederlanden also received a licence from the Dutch Central Bank to launch a defined contribution DC company pension product PPI , an important development in expanding the company s presence in the growing DC market in Europe.

The business revealed a client driven strategy late in 2011 which has a sharper focus on producing a flexible, transparent and low cost product range, available through the customer channel of choice. It also has investment in new and improved systems as one of the core pillars of the strategy. While intermediaries such as brokers and financial advisers remain very important, there will be an increased focus on the customer through the introduction of simpler products. ING Life Luxembourg expanded their distribution network with new partners.

In the Closed Book business, NN Services introduced a standardised processing and IT system (business process management layer) for several legacy lines of retail Life businesses. The business focus is on process rationalisation, excellent customer service and lower policy costs. NN Services IT plans to manage all the Closed Book business of Nationale-Nederlanden.

ING s life insurance products in the Benelux consist of a broad range of traditional, unit-linked and variable annuity policies written for both individual and group customers. ING is also a prominent provider of (re-insured) company pension plans in the Netherlands. ING has a dedicated team to develop and grow its variable annuity business across Europe, servicing own and third party distributors in Luxembourg, Spain, Hungary, the Netherlands, Italy, Belgium and Luxembourg.

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

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INSURANCE CENTRAL AND REST OF EUROPE

Insurance Central and Rest of Europe has life insurance companies in Hungary, Poland, the Czech and Slovak Republics, Romania, Bulgaria, Greece, Spain and Turkey. It has pension funds in Poland, Hungary, the Czech and Slovak Republics, Bulgaria, Romania and in Turkey. Together these operations have about 3,500 employees who serve over 9 million clients throughout the region.

ING offers a wide array of individual endowment, unit linked, term and whole life insurance policies designed to meet specific customer needs. It also has employee benefits products as well as pension funds, that manage individual retirement accounts for individuals. The latter comprise both mandatory and voluntary retirement savings.

Insurance Central and Rest of Europe s distribution is becoming more multichannelled, especially due to increased distribution by banks and brokers, however tied agents are still the main distribution channel. It continues to enhance the effectiveness of its tied agents sales: giving customers professional advice and service.

Remaining the region s market leading life insurer and pension provider is an important goal towards building a sustainable growth engine, which means an engine geared for long-term success in the market. This motivates Insurance Central and Rest of Europe to further improve the customer experience, deliver good value-for-money to customers as well as meet today s and tomorrow s compliance and risk requirements.

INSURANCE UNITED STATES (EXCLUDING US CLOSED BLOCK VA)

ING Insurance US offers retirement services (primarily defined contribution plans), life insurance, fixed annuities, employee benefits, mutual funds, and broker-dealer services in the United States. ING Insurance US currently operates four core businesses: Retirement Plans, Individual Retirement, Individual Life and Employee Benefits.

In 2011, ING Insurance US continued its focus on preparing the organization for its anticipated separation, together with ING IM US, from the rest of ING s global operations, to constitute an independent US-based insurance, annuities, retirement services and investment management company. The base case for this separation currently involves an initial public offering, or IPO, of ING Insurance US and ING IM US. In 2011, ING Insurance US s efforts were directed at strengthening its management team, improving operational results, maintaining a strong balance sheet, managing administrative expenses and bolstering its leadership positions in its retirement services and life insurance businesses. In 2012, ING Insurance US anticipates that it will focus on three key priorities: margin improvement, expense management and disciplined growth.

ING Insurance US s Retirement Plans business is one of only a few defined contribution providers that offer a broad range of retirement solutions to all sizes and types of employers, including businesses for-profit ranging from start-ups to large corporations, public and private school systems, higher education institutions, state and local governments, hospitals and healthcare facilities, and not-for-profit organizations. It serves the full spectrum of the US market from pure recordkeeping services to fully bundled plan management and investment offerings. ING Insurance US s Retirement Plans business is the third largest provider of defined contribution (DC) retirement plans in the US based on assets under management and administration, the second largest based on the number of plan participants and the second largest based on the number of sponsors. In addition to its leadership position, Retirement Plans has over 40 years tenure in delivering high-quality service and developing long-lasting, trusted relationships with participants, plan sponsors, and distribution partners.

The vision of ING Insurance US is to be the leader in helping individuals and institutions save, grow, protect and enjoy their wealth. As part of that strategy, ING Insurance US s Individual Retirement business has a renewed strategic focus on offering products and services that are specifically focused on meeting the financial and retirement income needs of individuals who may or may not be participating in one of our defined contributions plans. Products offered for these individuals include rollover IRAs (individual retirement account, essentially an individually established defined contribution retirement fund), which is expected to be the fastest growing segment of the US retirement market as baby boomers retire over the next two decades. ING Insurance US s Individual Retirement business also leverages the capabilities of its affiliated broker-dealer, ING Financial Partners, to provide holistic advice and guidance to individuals by phone or via face-to-face interaction. These products and services are aimed at capturing the growth opportunity that lies within the rapidly expanding market for retirees and people changing jobs.

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ING Insurance US s Individual Life business manufactures a range of products from low-cost term in the middle market to high-end universal life sales in the affluent market. The business has a strong multi-channel sales team with the breadth to touch every licensed life insurance agent in the US. It has over 80,000 independent producers and 1,500 intermediaries under contract or appointment. Its distribution organization boasts a best-in-class sales support and illustration system. The business also provides one of the broadest competitive product portfolios in the industry and is supported by a best-in-class operational model with leading industry cycle times. This model has allowed the Individual Life business to attract significant independent distribution, create significant scale, become a top five writer of individual term life insurance and develop into a major writer of universal life insurance. Overall, ING Insurance US is a top ten writer of Individual Life Insurance. Individual Life also distributes fixed index annuities as a key product offering and we rank in the top ten.

ING Insurance US s Employee Benefits business provides group insurance products to medium and large corporate employers and affinity groups. These products include group life, medical stop loss, and disability insurance. Of all the carriers competing outside of the Managed Care market, ING Insurance US is the fifth largest provider of medical stop loss based on in-force premiums. In addition, the Employee Benefits business serves the voluntary worksite market by providing individual and payroll-deduction products, such as life, critical illness, accident and short-term disability insurance.

INSURANCE US CLOSED BLOCK VA

Since taking the decision to terminate sales of this product in early 2009, ING has implemented a number of key changes with regard to the US Closed Block VA business to increase transparency, improve reserve adequacy, reduce earnings volatility and to bring accounting and hedging more into line with US peers. As part of these changes, ING began to report the US Closed Block VA business as a separate business line within ING Insurance/IM to improve transparency for both the Closed Block and ongoing businesses.

ING US Closed Block VA consists of variable annuities issued in the US that are primarily owned by individuals and were designed to address the demand for tax-advantaged savings, retirement planning, and wealth-protection. These annuity contracts were sold in the US, primarily through independent third party distributors, including wirehouses and securities firms, independent planners and agents and banks. The Management of the US Closed Block VA continues to help existing individual annuity contract-owners invest their savings, manage their investments, and plan their financial future through asset accumulation and annuity payout options. With over 500,000 contract-owners and over USD 46 billion in assets under management, US Closed Block VA seeks to assist clients in meeting their retirement planning needs.

US Closed Block VA continues to share resources with ING Insurance US to leverage scale and capacity of administrative systems and product competencies.

INSURANCE ASIA/PACIFIC

ING Insurance Asia/Pacific (IAP) is a leading provider of life insurance products and services. It is a leading international life insurer in the region, with nine life operations in eight markets. IAP has flagship operations in the mature and larger markets of Japan and South Korea, operates a dominant business in Malaysia, and is well positioned to secure an increasing share of future growth in the emerging markets of China, Hong Kong, Macau, India and Thailand.

In April 2011, IAP, together with its strategic partners, Public Bank Berhad and Public Islamic Bank Berhad, launched a new joint venture in Malaysia called ING PUBLIC Takaful Ehsan Berhad, which will develop Takaful insurance products.

IAP completed the sale of its 50% stake in Pacific-Antai Life Insurance Company Limited (PALIC) in June 2011 with a net disposal gain of EUR 27 million in order to further focus on strengthening its continuing partnership with Bank of Beijing in China.

The IAP regional office in Hong Kong leads, controls and supports all IAP business units in the region, ensures implementation of strategy and standards and facilitates regional and global synergies.

The business units of IAP offer select types of life insurance, wealth management, and retail products and services. These include annuities, endowment, disability/morbidity insurance, unit linked/universal life, whole

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life, participating life, group life, accident and health, term life and employee benefits. In Hong Kong non-life insurance products (including medical, motor, fire, marine, personal accident and general liability) are also offered.

Product innovations continued to be introduced to capture new market opportunities, differentiate its product line and meet evolving customer demands. In Hong Kong, a life insurance product tailored for high net worth customers was successfully launched. In India, a new cross-generational joint life product was launched to meet the savings and protection needs of two generations. Across the region, there is an increasing focus on protection products that meet emerging customer needs and enhance value for customers.

IAP has a multi-distribution platform. In 2011, IAP continued its efforts to further strengthen distribution. In tied agency, regional initiatives around the theme of quality , designed to lift the standard of professionalism, were instituted. IAP is also making solid progress in strengthening bancassurance. In the first half of 2011, IAP broadened its reach in China with the opening of a branch in Tianjin, the first since the Bank of Beijing replaced Beijing Capital Group as a joint venture partner last year. ING Life Hong Kong renewed a distribution agreement with China Construction Bank for another ten years.

IAP is on-track with its business ambitions and is making good progress on performance improvement initiatives. The business is pursuing its vision of creating a best-in-class company for its customers, employees and investors through customer-focused product innovation, expanding and improving distribution and improving operational efficiency.

INSURANCE LATIN AMERICA

ING completed the sale of its pensions, life insurance and investment management operations in Chile, Colombia, Mexico, Peru and Uruguay on December 29, 2011, as further detailed in Item 4 Information on the Company Changes in the Composition of the Group Disposals effective in 2011 Latin American pensions, life insurance and investment management operations .

ING INVESTMENT MANAGEMENT

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

In preparation for the divestment of ING Insurance/IM, ING IM Europe & Asia and ING IM US are now operating on an arm s length basis as of 2011, sharing fees and leveraging global client relationships. These cross-selling relationships will continue and develop into preferred provider relationships, to service clients with a full range of global solutions.

ING IM announced the divestments of ING IM Philippines at the end of 2010, and ING IM Australia in June 2011. The sale of ING IM Philippines was closed in March 2011 and the sale of ING IM Australia was completed in October 2011. These transactions were in support of ING s objective to manage its capital and portfolio of businesses in preparation for the divestment of the insurance and investment management business.

ING IM provides a wide variety of actively-managed strategies, investment vehicles and advisory services in all major asset classes and investment styles. It delivers a wide range of investment strategies and services to ING s global network of businesses and third-party clients.

On January 12, 2012, ING announced an update on the restructuring of the insurance and investment management businesses. Due to the uncertain economic outlook and volatile markets, especially in Europe, ING is currently reviewing other strategic options for its Asian Insurance and Investment Management businesses. Within ING IM, ING IM Europe, ING IM Asia/Pacific and ING IM US intend to continue to operate in partnership to ensure continued commercial collaboration and cross-selling arrangements among the regional ING IM businesses.

During this period of change, ING s investment management business will remain focused on delivering excellent service, generating superior returns and providing a broad range of products and investment solutions in a wide variety of asset classes for its clients.

PRINCIPAL GROUP COMPANIES

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

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REGULATION AND SUPERVISION

The banking, insurance, asset management and broker-dealer businesses of ING are subject to detailed and comprehensive supervision in substantially all of the jurisdictions in which ING conducts business. As discussed under Item 3. Key Information Risk Factors , as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving such countries.

Dutch Regulatory Framework

The Dutch regulatory system for financial supervision consists of prudential supervision monitoring the soundness of financial institutions and the financial sector, and conduct-of-business supervision regulating institutions conduct in the markets. Prudential supervision is exercised by De Nederlandsche Bank (DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets, Autoriteit Financiële Markten (AFM).

Global Regulatory Environment

There are a variety of proposals that could impact ING globally, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision at the transnational level, Dodd-Frank in the United States and an expanding series of supranational directives and national legislation in the European Union (see Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business for details regarding some of these proposals). The aggregated impact and possible interaction of all of these proposals is hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has also taken initiatives by means of guidelines and self-regulatory initiatives. Examples of these initiatives are the Dutch Banking Code as established by the Dutch Bankers Association and the Dutch Insurers Code established by the Association of Dutch Insurers, which detail a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks and insurers have to apply on a comply-or-explain basis. Work has also been done on many other topics including deposit guarantee schemes and cross border crisis and resolution management. The latter discussion could have a significant impact on business models and capital structure of financial groups.

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

Financial institutions continue to be closely scrutinized by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or alleged failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies. Over the past years ING has significantly increased its Compliance efforts, including a major staff increase, amendment of key policies and guidelines and the international rollout of several programmes for education, awareness and monitoring of compliance issues.

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present, these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. ING Bank completed the global implementation of enhanced compliance and risk management procedures, and continues working to further strengthen the Financial Economic Crime controls as agreed with DNB.

ING Bank remains in discussions with authorities in the US concerning these matters, including ING Bank s compliance with Office of Foreign Asset Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice and the New York County District Attorney s Office. ING Bank is cooperating fully with the ongoing investigations and is engaged in discussions to resolve these matters with the US authorities; however, it is not yet possible to reliably estimate the timing or amount of any potential settlement, which could be significant.

Dodd-Frank Act

The US Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which became law on July 21, 2010, represents an effort to comprehensively overhaul the regulation of US financial institutions, and the structure certain US financial markets, in response to the financial market crisis of 2008 and 2009. The Dodd-Frank Act includes a broad range of provisions with varying degrees of potential impact on ING s US and non-US operations. Many key details of these provisions were left to rulemaking by US financial regulators. Those rules are still in the process of being promulgated, and the final shape of the rules and thus the ultimate impact on ING s US and non-US operations therefore cannot currently be predicted.

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

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

BANKING

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

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

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ING uses the Advanced IRB Approach for credit risk, an internal VaR model for its trading book exposures and the Advanced Measurement Approach for operational risk. During 2008 a Basel I regulatory floor of 90%, in 2009, 2010 and 2011 a floor of 80%, still applied. (A small number of portfolios are still reported under the Standardized Approach.

The Basel Committee on Banking Supervision has announced higher global minimum capital standards for banks, and has introduced a new global liquidity standard and a new leverage ratio. The Committee s package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and limit leverage . Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on January 1, 2019, will rise to 7%. Basel III also introduces a countercyclical buffer as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III calls for stricter definitions of capital that will have the effect of disqualifying many hybrid securities, potentially including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitization activities to be introduced at the end of 2011 as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board (FSB) are currently considering measures that may have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. ING has been designated as a G-SIFI.

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

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

Americas

United States

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

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

Anti-Money Laundering Initiatives and countries subject to sanctions

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA PATRIOT Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations, which apply various requirements of the USA PATRIOT Act to financial institutions such as our

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bank, insurance, broker-dealer and investment adviser subsidiaries and mutual funds advised or sponsored by our subsidiaries. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the bank regulatory agencies are imposing heightened standards, and law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputation consequences for the institution.

Financial institutions continue to be closely scrutinized by regulatory authorities, governmental bodies, shareholders, rating agencies, customers and others to ensure they comply with the relevant laws, regulations, standards and expectations. Bank and insurance regulators and other supervisory authorities in Europe, the US and elsewhere continue to oversee the activities of financial institutions to ensure that they operate with integrity and conduct business in an efficient, orderly and transparent manner. ING seeks to meet the standards and expectations of regulatory authorities and other interested parties through a number of initiatives and activities, including scrutinizing account holder information, payment processing and other transactions to support compliance with regulations governing money laundering, economic and trade sanctions, bribery and other corrupt practices. The failure or alleged failure by ING to meet applicable standards in these areas could result in, among other things, suspension or revocation of ING s licenses, cease and desist orders, fines, civil or criminal penalties and other disciplinary action which could materially damage ING s reputation and financial condition, and accordingly ING s primary focus is to support good business practice through its Business Principles and group policies. Over the past years ING has significantly increased its Compliance efforts, including a major staff increase, amendment of key policies and guidelines and the international rollout of several programmes for education, awareness and monitoring of compliance issues.

As a result of our frequent evaluation of all businesses from economic, strategic and risk perspectives ING continues to believe that for business reasons doing business involving certain specified countries should be discontinued, which includes that ING has a policy not to enter into new relationships with clients from these countries and processes remain in place to discontinue existing relationships involving these countries. At present, these countries include Myanmar, North Korea, Sudan, Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, US and other sanctions regimes. Cuba, Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to US economic sanctions and export controls.

Regulatory measures and law enforcement agencies investigations

ING Bank N.V. has continued discussions with its Dutch bank regulator De Nederlandsche Bank (DNB) related to transactions involving persons in countries subject to sanctions by the EU, the US and other authorities and its earlier review of transactions involving sanctioned parties. ING Bank completed the global implementation of enhanced compliance and risk management procedures, and continues working to further strengthen the Financial Economic Crime controls as agreed with DNB.

ING Bank remains in discussions with authorities in the US concerning these matters, including ING Bank s compliance with Office of Foreign Asset Control requirements. ING Bank has received requests for information from US Government agencies including the US Department of Justice and the New York County District Attorney s Office. ING Bank is cooperating fully with the ongoing investigations and is engaged in discussions to resolve these matters with the US authorities; however, it is not yet possible to reliably estimate the timing or amount of any potential settlement, which could be significant.

Canada

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

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

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Asia/Pacific

Australia

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

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

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

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

INSURANCE

Europe

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

ING Insurance s life and non-life subsidiaries in the EU are required to file detailed audited annual reports with their home country insurance supervisory authority. These reports are audited by ING Insurance s independent auditors and include balance sheets, profit and loss statements, actuarial statements and other financial information. The authorizations granted by the insurance supervisory authorities stipulate the classes of business that an insurer may write an insurance policy for, and is required for every proposed new class of business. In addition, the home country insurance supervisory authority may require an insurer to submit any other information it requests and may conduct an audit at any time.

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

The European Commission, jointly with Member States and EIOPA (European Insurance and Occupational Pensions Authority), is carrying out a fundamental review of the regulatory regime of the insurance industry; the Solvency II project. Solvency II will introduce economic risk-based solvency requirements across all EU Member States. These new solvency requirements will be more risk-sensitive and more sophisticated than in the past, thus enabling a better coverage of the real risks run by any particular insurer. Also, Solvency II will introduce new governance requirements and requirements relating to supervisory reporting and disclosure. The directive (level 1 text) was approved of by the Council on November 25, 2009. As regards the level 2 text (delegated acts by the European Commission and/or implementing technical standards by EIOPA and the European Commission) and level 3 text (guidance by EIOPA), the work is steadily advancing. Formally, Member States are still required to apply Solvency II as from October 31, 2012. Due to the complexity of the requirements, differences of opinion between insurers, regulators and other stakeholders and the sovereign debt crisis, the Solvency II process moved along more slowly than the insurance industry had hoped for. As a result, the (full) implementation date of Solvency II is likely to be delayed to January 1, 2014 or later. The European Parliament is expected to vote in the spring of 2012 on a proposal to postpone the implementation of Solvency II as well as other issues. For more information, see Item 3. Key Information-Risk Factors-We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business-Solvency II .

Americas

United States

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

ING Insurance s U.S. operations are subject to Risk Based Capital (RBC) guidelines which provide a method to measure the adjusted capital (statutory capital and surplus plus other adjustments) that insurance companies should maintain, taking into account the risk characteristics of the company s investments and products. The RBC guidelines are used by state insurance regulators as an early warning regulatory tool to identify possibly inadequately capitalized insurers which may need additional regulatory oversight. Each of the companies comprising ING Insurance s U.S. operations was above its target and statutory minimum RBC ratios at year-end 2011.

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

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

Canada

Our U.S. insurance businesses that are licensed in Canada are subject to regulation by the Office of the Superintendent of Financial Institutions (OSFI).

Mexico

ING s mortgage business in Mexico is subject to general rules and detailed regulations under federal law and is supervised by the National Banking and Securities Commission (CNBV). The main legal framework applicable to the mortgage business in Mexico are regulations issued by the CNBV.

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The Commerce Code, the Mercantile Companies Law, the Foreign Investment Law, Income Tax Laws and regulations issued by the Ministry of Finance are also applicable to these entities.

The Ministry of Finance has authority to grant or revoke licenses to conduct mortgage businesses in Mexico and to prescribe rules on anti-money laundering. The CNBV regulates ING business activities through inspection and ongoing supervision, and have issued regulations that provide specific rules for its operations, including capital requirements and reserves, financial information standards and reporting, corporate governance guidelines, investment rules, risk management and related party transactions. Mortgage companies are also subject to a mandatory annual audit of their financial statements and tax reports by independent auditors.

Argentina

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

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

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

Peru, Chile, Colombia, Uruguay

ING completed the sale of its pensions, life insurance and investment management operations in Peru, Chile, Colombia and Uruguay (and in Mexico) on December 29, 2011, as further detailed in Item 4 Information on the Company Changes in the Composition of the Group Disposals effective in 2011 Latin American pensions, life insurance and investment management operations .

Asia/Pacific

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

Japan

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

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

South Korea

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

Malaysia

ING Group s Malaysian insurance subsidiary is subject to the supervision of the Central Bank of Malaysia (BNM). Regulation of the Malaysian insurance industry covers licensing, policy development, administration and enforcement of the industry, actuarial function and consumer education and complaints handling. In addition, BNM introduced the Risk-Based Capital Framework for insurers with effect from January 1, 2009 to better align the regulatory capital requirements with the underlying risk exposure of each individual insurer.

BROKER-DEALER AND INVESTMENT MANAGEMENT ACTIVITIES

Americas

United States

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

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

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

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

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ING DIRECT Investing, Inc., a US retail broker, was indirectly sold to Capital One Financial Corporation as part of the ING Direct USA transaction, which closed on February 17, 2012, as further detailed in Item 4 Information on the Company Changes in the Composition of the Group Disposals occurred in 2012 .

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COMPETITION

ING is a global financial institution of Dutch origin with presence in more than 40 countries, currently offering banking, investments, life insurance and retirement services to meet the needs of a broad customer base. Going forward, we will concentrate on our position as a strong European bank with attractive home market positions in Northern Europe and growth options in Central and Eastern Europe and Asia, while creating an optimal base for independent futures for our insurance operations (including investment management). We strive to meet our customers expectations by providing the right products and services to the right customers, for the right reasons and for the right price.

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

During the financial crisis of 2008/2009, governments around the globe undertook exceptional measures to support financial institutions. ING s management feels that these measures were important and necessary steps to restore confidence and bring stability and certainty to the financial system. ING itself entered into two transactions with the Dutch State: on the issuance of EUR 10 billion of Core Tier 1 Securities to the Dutch State (October 2008) and an Illiquid-Assets Back-up Facility (January 2009) with respect to 80% of ING s Alt-A residential mortgage backed securities.

Under European state-aid rules, all state-supported financial institutions need to demonstrate their long-term viability and take actions to prevent undue distortions of competition. As a result, and parallel to the introduction and implementation of the Back to Basics programme, ING was also required to develop and submit a restructuring plan to the European Commission (EC). The negotiations with the EC on the Restructuring Plan have acted as a catalyst to accelerate the separation of our banking and insurance operations.

However, ING has had to accept a number of commitments to obtain the EC s approval for the transactions with the Dutch State. One of these involved the divestment of ING Direct USA. Also as part of the Restructuring Plan, a new company named WestlandUtrecht Bank (WUB) was created in the Dutch retail market, by combining the Interadvies banking division (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the consumer lending portfolio of ING Retail. WUB became commercially independent of ING in November 2010 after which options were further explored in 2011 to divest the business. Furthermore, ING has had to refrain from being a price leader within the European Union for certain retail and small and medium-sized enterprise banking products, and has been obliged to refrain from acquisitions of financial institutions and acquisitions that would slow down the repayment of the Core Tier 1 Securities.

In January 2010, ING filed an appeal with the General Court of the European Union against specific elements of the European Commission s decision of November 18, 2009 which approved the state aid received and ING s Restructuring Plan. ING requested the Court to annul the decision of the European Commission insofar:

as it states that the agreement between ING and the Dutch State concerning a reduction of the repayment premium for the first EUR 5 billion tranche of Core Tier 1 Securities leads to additional state aid of EUR 2 billion;

as the Commission has subjected the approval of the state aid to the acceptance of price leadership bans;

as the Commission has subjected the approval of the state aid to restructuring requirements that go beyond what is proportionate.

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

Nevertheless, we took decisive steps to meet the restructuring demands which are part of the Restructuring Plan which we submitted to the EC in late 2009 in order to obtain approval of state aid received. In June 2011, we reached an agreement to sell ING Direct USA, meeting one of the principal restructuring requirements. The sale of ING Direct USA to Capital One Financial Corporation (Capital One), a leading US-based financial holding company was completed in February 2012. In connection with this sale, ING reached an agreement with the Dutch State to amend the structure of the Illiquid Assets Back-up Facility (IABF) in June 2011. The amendment serves to delink the IABF from ING Direct USA by interposing ING Bank as a counterparty for the

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Dutch State. The 20% of the Alt-A portfolio not covered by the IABF remained on the balance sheet of ING Direct USA and was transferred to Capital One as part of the sale of ING Direct USA. In order to ensure continued alignment between the interests of ING and the Dutch State with regard to the Alt-A portfolio, ING will provide a counter guarantee to the Dutch State covering 25% of the 80%exposure of the Dutch State. This guarantee will cover realised cash losses if these exceed the 35.5% that is implied by the market value of the portfolio at the time the divestment of ING Direct USA was announced. This adjustment will therefore lower the risk exposure for the Dutch State. The potential capital and P&L impact of the alignment for ING Bank is expected to be limited. ING s commercial finance activities and ING s insurance/investment management operations in the United States have not been materially affected by this transaction.

The total amount repaid on the Core Tier 1 Securities to the Dutch State by the end of 2011 was EUR 7 billion in principal, out of a total capital support of EUR 10 billion. Including interest and premium, the payments made to the Dutch State by the end of 2011 reached a total of EUR 9 billion. Ideally we would like to complete the state repayment in 2012, however given the current challenging financial environment in the eurozone and increasing regulatory capital requirements we currently intend to take a cautious approach and maintain strong capital ratios as we build towards Basel III and satisfy other regulatory requirements.

The financial sector faced many challenges in 2011. These include the many regulatory changes for the banking and insurance sectors. A massive volume of new regulations needs to be implemented within a short period of time. ING recognises and endorses the importance of bolstering the stability of the financial system but we are concerned that there is no universal international application because national interests all too often prevail. Furthermore, it is essential that the impact on the economy and on customers is assessed very carefully when new regulations are introduced. It is important that financial institutions can continue to carry out their fundamental role in the economy effectively. One of our primary concerns, therefore, is the increasing number of national initiatives being taken by different member states on matters that should, for reasons of maintaining a level playing field and enhancing of the European Single Market, be dealt with at the European level. Clear examples of such steps being taken by some states but not others are the introduction of national bank levies, additional capital buffers for domestic SIFIs (Systemically Important Financial Institutions) and the ring-fencing of retail-deposit-taking banks. Banks based in those countries moving ahead of international regulation can be placed at a competitive disadvantage.

Against a backdrop of a deteriorating economy and increasing turmoil in the financial markets, we reported good performance in 2011. Thanks to a number of strategic measures, our capital position is strong. We have sold a number of operations to simplify our portfolio. We divested ING Direct USA and the Latin American insurance and investment management operations as is required by the European Commission. We have boosted our efficiency and kept our costs in check. With income under pressure, it is important that we maintain our competitive position by further driving down our costs and adapting to market conditions.

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

ING maintains leading banking positions in its home markets of the Netherlands, Belgium, Luxemburg, Germany and Poland. Furthermore, ING has key positions in other Western, Central and Eastern Europe and Turkey. This is coupled with options outside of Europe which should give ING Bank interesting growth potential in the long term. The long term ambition is to be a strong Northern European Bank with a low-risk balance sheet producing a competitive Return on (IFRS) Equity of 10 to 13% through low costs and low risk. ING Bank has a well-known brand and it uses the NPS (Net Promoter Score) methodology as a tool to increase customer centricity and to improve ways of doing business. The bank is used to operating in lean, competitive markets which has made us leaders in innovative distribution. It has a leading position in internet banking with a direct first, advice when needed model and a relationship-driven commercial bank offering competitive products in terms of price, efficiency and effectiveness. Retail Banking has strong positions in the mature markets of the Benelux, Western Europe, Canada and Australia. It is well placed to capture opportunities in the high-growth markets of Central Europe and Asia. Our commercial bank has strengthened its position substantially in the Benelux in recent years, and we are now the leading commercial bank in the Benelux, as well as a leading player in CEE and a top-10 global player in Structured Finance. Going forward, the bank currently intends to focus on restoring trust and customer centricity, on operational excellence and optimising its balance sheet to meet its strategic goals.

The main priorities for the insurance and investment management businesses are improving performance and optimising returns and value. In 2011 the businesses made good progress on these priorities. Going forward, ING Insurance/Investment Management will continue to focus on its customers and distributors by providing exemplary products and service, as it restructures in preparation for a stand-alone future. We continued to work towards the full physical and organisational separation of the banking and insurance/investment management activities for increased transparency and simplicity. In 2011 we have been laying the groundwork for the original base case of two IPOs (initial public offerings) of our insurance and investment management activities: one for our US operations and one for our European and Asian activities. However, on January 12, 2012 we announced an update on the restructuring of the insurance and investment management businesses. Due to the uncertain economic outlook and volatile markets, especially in Europe, ING is currently reviewing other strategic options for its Asian insurance and investment management businesses. For the European insurance/investment management businesses, ING is currently reviewing preparations for a stand-alone future, including the possibility of an IPO. We are also continuing to prepare for the base case of an IPO for the US insurance/ investment management businesses. ING is committed to conducting these processes with the utmost diligence in the interests of all stakeholders, including customers, employees, distribution partners and shareholders.

RATINGS

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

ING Groep N.V. s long-term senior debt is rated A (with a stable outlook) by Standard & Poor s Ratings Service (Standard & Poor s), a division of the McGraw-Hill Companies, Inc. ING Groep N.V. s long-term senior debt is rated A1 (under review) by Moody s Investors Service (Moody s) ING Groep N.V. s long term senior debt is rated A (with a stable outlook) by Fitch Ratings (Fitch).

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

ING Bank N.V. s long-term senior debt held a A+ (with a stable outlook) rating by Standard & Poor s. Moody s rated ING Bank N.V. s long-term senior debt at Aa3 (under review). Finally, ING Bank N.V. s long-term senior debt was rated A+ (with a stable outlook) by Fitch Ratings, Ltd.

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

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

All ratings are provided as of March 12, 2012, and are still current at date of filing.

DESCRIPTION OF PROPERTY

ING predominantly leases the land and buildings used in the normal course of its business. In addition, ING has part of its investment portfolio invested in land and buildings. Management believes that ING s facilities are adequate for its present needs in all material respects.

Item 4A. Unresolved Staff comments

None.

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Item 5. Operating and financial review and prospects

The following review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-IASB. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-IASB.

FACTORS AFFECTING RESULTS OF OPERATIONS

ING Group s results of operations are affected by demographics (particularly with respect to life insurance) and by a variety of market conditions, including economic cycles, banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates. See Item 3. Key information Risk Factors for more factors that can impact ING Group s results of operations.

Financial environment

Major changes in the external environment had an impact on ING in 2011, the most significant being the deepening of the euro sovereign debt crisis in the eurozone which created an extremely challenging economic and financial market environment in the second half of the year. Consequently international capital and money markets were not functioning in the manner they would in more normal circumstances. This had repercussions (for us, our industry and the broader economy) especially in Europe where funding for governments and financial institutions dried up in certain markets. For details regarding the impact of the credit and liquidity crisis on ING s assets and results reference is made to the section Risk Management and Note 4 in Note 2.1 to the consolidated financial statements, which also includes details on the sovereign debt crisis.

General market conditions

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

Fluctuations in equity markets

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

Fluctuations in interest rates

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

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

Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations both through the trading activities for our own account and because that we prepare and publish our consolidated financial statements in euros. Because a substantial portion of our income and expenses are denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. dollar,the Canadian dollar, the Pound sterling, the Polish zloty, the Australian dollar, the Japanese yen, the Korean won and the Turkish lira into euros will impact our reported results of operations and cash flows from year to year. This exposure is mitigated by the fact that realized results in non-Euro currencies are translated into euro by monthly hedging. See Note 24 of Note 2.1 to the consolidated financial statements for a description of our hedging activities with respect to foreign currencies. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-Euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our non-euro reporting subsidiaries are generally denominated in the same currencies. The translation risk is managed by taking into account the effect of translation results on the core Tier-1 ratio.

The weakening of the euro against most currencies during 2011 had a negative impact of EUR 35 million on (underlying) net result. In 2010 and 2009 exchange rates influenced net result, respectively, by EUR 88 million and EUR 184 million positively.

For the years 2011, 2010 and 2009, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros) and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

Average

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

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

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	4Q 2009	3Q 2009	2Q 2009	1Q 2009
U.S. dollar	1.473	1.431	1.371	1.319
Australian dollar	1.634	1.702	1.810	1.985
Canadian dollar	1.567	1.575	1.608	1.641
Pound sterling	0.902	0.874	0.888	0.919
Japanese yen	132.199	133.816	133.099	124.067
South Korean won	1,723.971	1,761.229	1,775.507	1,829.427
Turkish lira	2.210	2.144	2.169	2.160
Polish zloty	4.179	4.235	4.506	4.509

		Year-end	
	2011	2010	2009
U.S. dollar	1.295	1.338	1.440
Australian dollar	1.273	1.314	1.602
Canadian dollar	1.320	1.334	1.514
Pound sterling	0.836	0.862	0.889
Japanese yen	100.196	108.745	133.057
South Korean won	1,500.636	1,500.388	1,679.614
Turkish lira	2.436	2.067	2.157
Polish zloty	4.468	3.959	4.106

Sovereign Debt Exposures

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

Critical Accounting Policies

See Note 2.1 to the consolidated financial statements.

CONSOLIDATED RESULTS OF OPERATIONS

The following information should be read in conjunction with, and is qualified by reference to the Group s consolidated financial statements and other financial information included elsewhere herein. ING Group s operating segments are based on the management structure of the Group, which is different from its legal structure. ING Group evaluates the results of its operating segments using the financial performance measure called underlying result. Underlying result is defined as result under IFRS-IASB excluding the impact of divestments and special items.

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

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

With regard to insurance activities, ING Group analyses, as of 2011, the underlying result through a margin analysis, which includes the following components:

- Operating result
- Non-operating items

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

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

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

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

- Investment margin which includes the spread between investment income earned and interest credited to insurance liabilities (excluding market impacts, but including dividends and coupons);
- Fees and premium-based revenues which includes the portion of life insurance premiums available to cover expenses and profit, fees on deposits and fee income on assets under management (net of guaranteed benefit costs in the United States);
- Technical margin which includes the margin between costs charged for benefits and incurred benefit costs- it includes mortality, morbidity and surrender results; and
- Non-modeled which is immaterial and includes parts of the business for which no margins are provided.

As of the fourth quarter of 2010, the Legacy Variable Annuity business in the US has been reported and analysed separately from the other US business in the internal management reporting. Therefore as of October 1, 2010 ING has reported the Insurance US Legacy VA business as a separate business line to improve the transparency of the ongoing business. ING Group s accounting policy for reserve adequacy as set out in the Accounting policies for the consolidated annual accounts of ING Group requires each segment to be adequate at the 50% confidence level. The separation of the Legacy VA business into a separate segment triggered a charge in the fourth quarter of 2010 to bring reserve adequacy on the new Insurance US Closed Block VA business line to the 50% level. This charge is reflected as a DAC write-down of EUR 975 million before tax. For 2011 the impact of the assumption adjustments includes a charge of EUR 177 million to restore the reserve adequacy of the Insurance US Closed Block VA business line to the 50% level at December 31, 2011. Reference is made to Note 43 and Note 51 of Note 2.1 to the consolidated financial statements.

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For further information on underlying result for the banking and insurance activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 51 of Note 2.1 to the consolidated financial statements.

GROUP OVERVIEW

The following table sets forth the consolidated underlying results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2011 and 2010:

	Banking		Insurance		Eliminations 1)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
				(EUR millions)				
Underlying income:								
Gross premium income			27,198	27,786			27,198	27,786
Net interest result banking operations	13,562	13,555			60	93	13,502	13,462
Commission income	2,255	2,253	1,515	1,472			3,770	3,725
Total investment and other income	(1,345)	413	9,352	7,388	291	243	7,716	7,558
Total underlying income	**14,472**	**16,221**	**38,066**	**36,646**	**350**	**336**	**52,187**	**52,533**
Underlying expenditure:								
Underwriting expenditure			33,087	32,802			33,087	32,802
Other interest expenses			910	1,122	350	336	560	786
Operating expenses (2)	9,447	9,336	3,731	3,766			13,178	13,102
Additions to loan loss provision	1,667	1,742					1,667	1,742
Other impairments			24	29			24	29
Total underlying expenditure	**11,114**	**11,078**	**37,752**	**37,719**	**350**	**336**	**48,516**	**48,461**
Underlying result before tax	**3,358**	**5,143**	**314**	**(1,072)**			**3,671**	**4,072**
Taxation	921	1,275	19	(40)			940	1,235
Minority interests	79	69	4	18			83	87
Underlying net result	**2,358**	**3,799**	**291**	**(1,050)**			**2,649**	**2,749**
Divestments (3)	887	481	46	(6)			933	474
Discontinued operations (4)			1,104	209			1,104	209
Special items (5)	281	(340)	(228)	(725)			53	(1,065)
Net result	**3,526**	**3,940**	**1,212**	**(1,572)**			**4,740**	**2,367**

1) After elimination of certain intercompany transactions between the banking operations and the insurance operations
2) Including Intangibles amortisation and impairments in banking operations
3) Divestments Bank: sale REIM (EUR 453 million, 2011, EUR 23 million, 2010), sale Car Lease (EUR 405 million, 2011, EUR 57 million, 2010), sale Philippines (EUR 29 million, 2011) sale Private Banking Swiss (EUR 73 million, 2010), sale Private Banking Asia (EUR 334 million, 2010), sale Summit Canada (EUR (6) million, 2010). Divestments Insurance: sale Latin America (EUR 995 million, 2011), sale IM Australia (EUR 26 million, 2011), Sale PALIC China (EUR 29 million, 2011), Other (sale EUR (5) million, 2011), sale joint-venture Brasil (EUR 22 million, 2010) sale Industry Pension Funds (EUR 4 million, 2010), sale Greece Non-life (EUR (4) million, 2010), sale US (EUR (12) million, 2010), sale Argentina (EUR 4 million, 2011, EUR (17) million, 2010.
4) Reference is made to Note 25 Discontinued operations for more information on discontinued business.
5) Special items Bank: Liability Management transaction (EUR 647 million, 2011), separation costs ING (EUR (48) million, 2011, EUR (43) million, 2010), Retail Netherlands strategy (EUR (105) million, 2011, EUR (180) million, 2010), restructuring provisions (EUR (209) million, 2011), EUR (115) million, 2010), Other (EUR (4) million, 2011, EUR (2) million, 2010). Special items Insurance: Liability

Management transaction (EUR 71 million, 2011), restructuring provisions (EUR (320) million, 2011, EUR (218) million, 2010), goodwill impairment US (EUR (510) million, 2010), Other (EUR 22 million, 2011).

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

Operating conditions were challenging in 2011, as financial markets continued to be volatile and the macroeconomic environment deteriorated further in the second half of the year. The prolonged weakness of the economic recovery and its impact on local and capital markets were especially prominent in the fourth quarter. Despite this difficult context, ING Group s full-year results improved compared with 2010. The full-year 2011 net result was EUR 4,740 million compared with a net result of EUR 2,367 million in 2010. The 2011 net result includes EUR 1,928 million gains on divestments, of which EUR 995 million was attributable to the sale of our Latin American insurance, pension and investment management business, EUR 405 million to the sale of ING Car Lease, and EUR 453 million to the sale of Real Estate Investment Management. Special items were EUR 53 million in 2011 compared with EUR (1,065) million in 2010. The 2011 special items include a EUR 718 million net gain from the Liability Management transaction, i.e., the exchange or tender offers for seven tranches of subordinated debt securities totalling approximately EUR 5.8 billion, offset by costs for various restructuring programmes and separation costs. After-tax separation and initial public offering (IPO) preparation costs were EUR 202 million for the full-year 2011. Result on divestments and discontinued operations recorded in 2010 were EUR 683 million. Net gains on divestments were EUR 474 million, mainly reflecting the result on the sale of Private Banking Switzerland and Asia. The 2010 net results from discontinued operations amounted to EUR

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209 million and relate to the Insurance Latin America operations. Special items in 2010 were EUR (1,065) million, reflecting expenses for various restructuring programmes, separation costs and the goodwill write-down in the US. The after-tax separation costs were EUR 85 million for the full-year 2010.

Underlying net result for 2011 was EUR 2,649 million, down 3.6% from EUR 2,749 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestments and special items.

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The following table sets forth the consolidated underlying results of the operations of ING Group and its banking and insurance operations for the years ended December 31, 2010 and 2009:

	Banking		**Insurance**		**Eliminations [1)]**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
				(EUR millions)				
Underlying income:								
Gross premium income			27,786	30,009			27,786	30,009
Net interest result banking operations	13,555	12,628			93	164	13,462	12,464
Commission income	2,253	2,149	1,472	1,359			3,725	3,508
Total investment and other income	413	(2,396)	7,388	3,061	243	172	7,558	492
Total underlying income	**16,221**	**12,381**	**36,646**	**34,429**	**336**	**336**	**52,533**	**46,473**
Underlying expenditure:								
Underwriting expenditure			32,802	30,274			32,802	30,274
Interest expenses			1,122	1,047	336	336	786	711
Operating expenses [(2)]	9,336	8,913	3,766	3,593			13,102	12,506
Addition to loan loss provision	1,742	2,854					1,742	2,854
Other			29	25			29	25
Total underlying expenditure	**11,078**	**11,767**	**37,719**	**34,939**	**336**	**336**	**48,461**	**46,370**
Underlying result before tax	**5,143**	**614**	**(1,072)**	**(510)**			**4,072**	**103**
Taxation	1,275	(102)	(40)	(95)			1,235	(197)
Minority interests	69	76	18	17			87	93
Underlying net result	**3,799**	**640**	**(1,050)**	**(431)**			**2,749**	**209**
Divestments [(3)]	481	(176)	(6)	136			474	(40)
Discontinued operations [(4)]			209	94			209	94
Special items [(5)]	(340)	(1,261)	(725)	(497)			(1,065)	(1,758)
Net result	**3,940**	**(797)**	**(1,572)**	**(698)**			**2,367**	**(1,494)**

1) After elimination of certain intercompany transactions between the banking operations and the insurance operations
2) Including Intangibles amortisation and impairments banking operations
3) Divestments Bank: sale Private Banking Swiss (EUR 73 million, 2010, EUR 17 million, 2009), sale Private Banking Asia (EUR 334 million, 2010, EUR (63) million, 2009), sale Summit Canada (EUR (6) million, 2010, EUR (195) million, 2009), sale REIM (EUR 23 million, 2010 EUR 45 million, 2009), Sale Car Lease (EUR 57 million, 2010, EUR 20 million in 2009). Divestments Insurance: sale joint-venture Brasil (EUR 22 million, 2010) sale Industry Pension Funds (EUR 4 million, 2010, EUR (119) million, 2009), sale Greece Non-life (EUR (4) million, 2010, EUR (7) million, 2009), sale Canada (EUR (43) million, 2009), sale Argentina (EUR (17) million, 2010, EUR (19) million, 2009), sale Australia (EUR 361 million, 2009), sale US (EUR (12) million, 2010, EUR (21) million, 2009), sale Russia (EUR (6) million, 2009), sale Chile Health/Annuities (EUR (59) million, 2009), sale Mexico (EUR 3 million, 2009), sale Taiwan (EUR 1 million, 2009), sale LA (EUR 38 million, 2009).
4) Reference is made to Note 25 Discontinued operations for more information on discontinued business.
5) Special items Bank: separation costs ING (EUR (43) million, 2010), Retail Netherlands strategy (EUR (180) million, 2010, EUR (166) million, 2009), not launching ING Direct Japan (EUR (5) million, 2009), transaction result on Alt-A portfolio (EUR 44 million, 2009), additional IABF payments (EUR (822) million, 2009), restructuring provisions (EUR (115) million, 2010, EUR (312) million, 2009), Other (EUR (2) million, 2010). Special items Insurance: goodwill impairment US (EUR (510) million, 2010), restructuring provisions (EUR (218) million, 2010, EUR (235) million, 2009), transaction result on Alt-A portfolio (EUR (154) million, 2009), additional IABF payments (EUR (108) million, 2009).

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

The operating environment continued to improve gradually during the year, although the global economic recovery remained fragile and market volatility persisted. Nevertheless, ING Group s results showed a strong improvement compared with the previous year. ING Group s net result for the full-year 2010 was EUR 2,367 million compared to a net loss in 2009 of EUR (1,495) million. The 2010 net result includes a EUR 513 million goodwill write-down in the US in the third quarter of 2010 and a EUR 634 million write-down of DAC in the fourth quarter as part of the measures to improve transparency and address the reserve adequacy of the US Closed Block Variable Annuity (VA) business in the US.

Divestments recorded in 2010 totalled EUR 474 million, mainly reflecting the EUR 405 million profit on the sale of Private Banking Switzerland and Asia. Special items in 2010 were EUR (1,065) million, reflecting expenses for various restructuring programmes, separation costs and the aforementioned EUR 513 million goodwill write-down in the US. The separation costs were EUR 85 million for the full-year 2010. In 2009 divestments totalled EUR (40) million. Special items were EUR (1,758) million and included a one-time charge due to an accrual for additional future payments to the Dutch State of EUR 930 million and a EUR 554 million restructuring provision, which was predominantly related to the headcount reduction for ING s Back to Basics programme.

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Underlying net result was EUR 2,749 million for the full-year 2010, compared to EUR 209 million a year earlier. Underlying net result is derived from total net result by excluding the impact from divestments and special items.

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SEGMENT REPORTING

ING Group segments are based on the management structure of the Group, which is different from its legal structure. Reference is made to Note 51 Operating Segments of Note 2.1 to the consolidated financial statements. The financial information for each business segment is reported on the same basis as used internally by the Executive and Management Boards in assessing segment performance and the allocation of segment resources. The business segment results (underlying net result and underlying result before tax) are therefore measures of segment profitability.

BANKING OPERATIONS

The following table sets forth the contribution of ING s banking business lines and the corporate line banking (CL) to the underlying net result for each of the years 2011, 2010, and 2009.

(EUR millions) 2011	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	ING Real Estate	Corporate line	Total Banking
Underlying income									
Net interest result	3,613	1,606	3,865	705	143	3,257	482	(109)	13,562
Commission income	481	336	166	249	59	933	44	(13)	2,255
Total investment and other income	52	89	(608)	74	73	(1,078)	3	50	(1,345)
Total underlying income	**4,146**	**2,031**	**3,423**	**1,028**	**275**	**3,112**	**529**	**(72)**	**14,472**
Underlying expenditure									
Operating expenses*	2,428	1,432	1,962	773	173	2,178	349	152	9,447
Additions to loan loss provision	457	145	462	97	30	330	146		1,667
Total underlying expenditure	**2,885**	**1,577**	**2,424**	**870**	**203**	**2,508**	**495**	**152**	**11,114**
Underlying result before taxation	**1,261**	**454**	**999**	**158**	**72**	**604**	**34**	**(224)**	**3,358**
Taxation	316	108	349	30	14	42	87	(25)	921
Minority interests			1	29	30	26	(7)		79
Underlying net result	**945**	**346**	**649**	**99**	**28**	**536**	**(46)**	**(199)**	**2,358**
Divestments	12	2				420	453		887
Special items	(246)	(12)				(68)	(12)	619	281
Net result	**711**	**336**	**649**	**99**	**28**	**888**	**395**	**420**	**3,526**

* including intangibles amortization and other impairments

(EUR millions) 2010	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	ING Real Estate	Corporate line	Total Banking
Underlying income									
Net interest result	3,816	1,608	3,774	670	169	3,233	439	(154)	13,555
Commission income	498	345	152	278	55	910	28	(13)	2,253
Total investment and other income	(4)	95	(144)	28	62	82	62	232	413
Total underlying income	**4,310**	**2,048**	**3,782**	**976**	**286**	**4,225**	**529**	**65**	**16,221**
Underlying expenditure									
Operating expenses*	2,376	1,345	1,886	761	180	2,107	536	145	9,336
Additions to loan loss provision	560	160	446	61	26	387	102		1,742
Total underlying expenditure	**2,936**	**1,505**	**2,332**	**822**	**206**	**2,494**	**638**	**145**	**11,078**

Underlying result before taxation	**1,374**	**543**	**1,450**	**154**	**80**	**1,731**	**(109)**	**(80)**	**5,143**
Taxation	361	91	463	31	15	332	27	(45)	1,275
Minority interests		(6)	1	20	22	28	4		69
Underlying net result	**1,013**	**458**	**986**	**103**	**43**	**1,371**	**(140)**	**(35)**	**3,799**
Divestments	16	75			334	39	17		481
Special items	(232)	(13)				(31)	(34)	(30)	(340)
Net result	**797**	**520**	**986**	**103**	**377**	**1,379**	**(157)**	**(65)**	**3,940**

* including intangibles amortization and other impairments

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(EUR millions) 2009	Retail Netherlands	Retail Belgium	ING Direct	Retail CE	Retail Asia	Commercial Banking	ING Real Estate	Corporate line	Total Banking
Underlying income									
Net interest result	3,303	1,619	3,136	675	110	3,513	428	(156)	12,628
Commission income	528	339	167	261	43	811	6	(6)	2,149
Total investment and other income	39	100	(1,541)	(76)	43	(101)	(654)	(206)	(2,396)
Total underlying income	**3,870**	**2,058**	**1,762**	**860**	**196**	**4,223**	**(220)**	**(368)**	**12,381**
Underlying expenditure									
Operating expenses*	2,475	1,280	1,663	660	132	1,817	591	295	8,913
Additions to loan loss provision	527	200	765	116	39	968	239		2,854
Total underlying expenditure	**3,002**	**1,480**	**2,428**	**776**	**171**	**2,785**	**830**	**295**	**11,767**
Underlying result before taxation	**868**	**578**	**(666)**	**84**	**25**	**1,438**	**(1,050)**	**(663)**	**614**
Taxation	229	79	(252)	29	5	206	(216)	(182)	(102)
Minority interests		2		5	10	30	29		76
Underlying net result	**639**	**497**	**(414)**	**50**	**10**	**1,202**	**(863)**	**(481)**	**640**
Divestments	11	17			(63)	9	(150)		(176)
Special items	(225)	(39)	36	(6)	(2)	(169)	(29)	(827)	(1,261)
Net result	**425**	**475**	**(378)**	**44**	**(55)**	**1,042**	**(1,042)**	**(1,308)**	**(797)**

* including intangibles amortization and other impairments

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

Underlying result before tax declined to EUR 3,358 million in 2011 from EUR 5,143 million in 2010. This decline was partially caused by the higher negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands and Belgium of EUR 787 million. These fair value changes are mainly a result of changes in market interest rates. As explained on page 5, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, underlying result before tax dropped 17.4% to EUR 4,740 million from EUR 5,738 million in 2010, mainly reflecting the impact of the sovereign debt crisis in Europe. The decline was mainly due to EUR 588 million of impairments on Greek government bonds and EUR 181 million of losses on selective de-risking at ING Direct, while the previous year included EUR 275 million of capital gains on the sale of two Asian equity stakes. Also excluding these items, underlying result before tax slightly rose by 0.8%.

Net result from banking operations declined to EUR 3,526 million in 2011 from EUR 3,940 million in 2010. In 2011, divestments of ING Real Estate Investment Management, ING Car Lease and ING IM Philippines have resulted in a net gain of EUR 821 million, while the operating net results from these units amounted to EUR 66 million. In 2011, special items after tax were EUR 281 million positive, driven by the EUR 647 million net gain on the liability management transaction that was completed in December 2011. The gain was partly offset by special items from various restructuring programs, including the strategic measures taken in Retail Netherlands and Commercial Banking as well as additional costs for the merger of the Dutch retail banking activities, and costs related to the separation of Banking and Insurance. In 2010, divestments included the gains on the sale of the Swiss and Asian Private Banking activities and the sale of Summit in Canada as well as the operating net results from divested units, while special items were related to the Bank s previous restructuring programs.

Total underlying income declined 10.8% to EUR 14,472 million in 2011 from EUR 16,221 million in 2010. The underlying net interest result was practically stable at EUR 13,562 million, despite a small increase in volumes. The total interest margin however declined slightly to 1.41% from 1.42% in 2010. Commission income remained flat on 2010, as increases in Commercial Banking (mainly Structured Finance) were offset by declines in Retail Banking. Total investment and other income was EUR (1,345) million compared with EUR 413 million in 2010, whereas EUR 787 million of the decline was caused by higher negative fair value changes on derivatives related to asset-liability-management activities as mentioned above. The remaining decline was entirely due to the above-mentioned impairments on Greek government bonds and losses on selective de-risking at ING Direct taken in 2011, while 2010 included the capital gains on the sale of two Asian equity stakes.

Underlying operating expenses, which includes intangibles amortization and other impairments, increased by 1.2% to EUR 9,447 million, mainly due to specific investments in the business and a modest year-on-year increase in staff costs. This was largely offset by stringent cost control and lower impairments on real estate development projects, The underlying net addition to the provision for loan losses declined 4.3% to EUR 1,667 million from EUR 1,742 million in 2010. Risk costs in 2011 were 52 basis points of average risk-weighted assets compared with 53 basis points in 2010.

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

Underlying result before tax increased to EUR 5,143 million in 2010 from EUR 614 million in 2009. The strong improvement was principally driven by volume growth, strengthening of the interest margin, lower negative market-related impacts and a more normalized level of risk costs. Almost all business segments contributed to the increase. ING Direct and ING Real Estate benefited from the signs of stabilization in the property markets: ING Direct posted an underlying result before tax of EUR 1,450 million after a loss of EUR 666 million in 2009, while ING Real Estate reduced the amount of its loss from EUR 1,050 million in 2009 to EUR 109 million in 2010.

Net result from banking operations rose to EUR 3,940 million in 2010 compared with a loss of EUR (797) million in 2009. In 2010, the divestment of the Swiss and Asian Private Banking activities and the sale of Summit in Canada resulted in a net gain of EUR 379 million, while the operating net results from divested units amounted to EUR 102 million. Special items in 2010 were EUR (340) million, mainly related to various restructuring programs, including the merger of the Dutch retail banking activities, and costs related to the separation of Banking and Insurance. The loss in 2009 included EUR (1,261) million of special items, mainly related to additional payments on the Illiquid Assets Back-up Facility and charges for the merger of the retail banking activities in the Netherlands, and EUR (176) million of operating net results from divested units.

Total underlying income rose 31.0% to EUR 16,221 million. The net interest result increased 7.3%, driven by higher volumes and margins. The total interest margin improved to 1.42% from 1.32% in 2009, mainly in Retail Banking. Commission income increased 4.8% driven by higher Structured Finance fees. Total investment and other income was EUR 413 million compared with EUR (2,396) million in 2009, principally driven by a diminution of impairments on debt securities and negative revaluations on real estate combined with higher capital gains, whereas EUR 61 million of the increase was caused by lower negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, for which as explained on page 5, no hedge accounting is applied under IFRS-IASB .

Underlying operating expenses, which includes intangibles amortization and other impairments, increased by 4.7% to EUR 9,336 million, reflecting higher staff costs, increased marketing expenses and deposit guarantee scheme costs as well as higher IT project costs. The underlying net addition to the provision for loan losses declined to EUR 1,742 million from EUR 2,854 million in 2009. The additions to the provision for loan losses in 2010 were 53 basis points of average risk-weighted assets compared with 85 basis points in 2009.

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

RETAIL NETHERLANDS

	Retail Netherlands		
(EUR millions)	**2011**	**2010**	**2009**
Underlying income:			
Interest result	3,613	3,816	3,303
Commission income	481	498	528
Investment income and other income	52	(4)	39
Total underlying income	**4,146**	**4,310**	**3,870**
Underlying expenditure:			
Operating expenses	2,428	2,376	2,475
Additions to the provision for loan losses	457	560	527
Total expenditure	**2,885**	**2,936**	**3,002**
Underlying result before tax	**1,261**	**1,374**	**868**
Taxation	316	361	229
Minority interests			
Underlying net result	**945**	**1,013**	**639**
Divestments	12	16	11
Special items	(246)	(232)	(225)

Net result	**711**	**797**	**425**

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

The underlying result before tax of Retail Netherlands decreased 8.2% to EUR 1,261 million in 2011 from EUR 1,374 million in 2010, principally driven by lower income and higher expenses, partly offset by a decrease in risk costs. Total underlying income decreased 3.8% to EUR 4,146 million in 2011. This decrease was mainly the result of a 5.3% decline in interest result, due to increased competition for savings putting pressure on margins. Net production in residential mortgages was EUR 3.6 billion, while volumes in other lending decreased EUR 0.2 billion and margins declined. Funds entrusted increased EUR 3.1 billion, mainly driven by a successful marketing campaign for a one-year deposit in the fourth quarter. Operating expenses rose 2.2% to EUR 2,428 million in 2011, mainly as a consequence of higher pension costs following updated mortality tables and an impairment on software in WestlandUtrecht Bank. The addition to loan loss provisions decreased 18.4% to EUR 457 million, or 93 basis points of average risk-weighted assets, mainly due to lower additions for specific files in the mid-corporate and SME segments, although the level started to increase again in the last quarter of 2011.

Underlying net result decreased to EUR 945 million in 2011 from EUR 1,013 million in 2010. The net result declined to EUR 711 million in 2011 compared with EUR 797 million in 2010. In 2011, special items after tax amounted to EUR (246) million, mainly related to the Case for Change initiative as well as additional costs for the combining of ING Bank and Postbank and the operational and legal separation of WestlandUtrecht Bank. Special items in 2010 were EUR (232) million, mainly related to the Retail Netherlands Strategy (combining ING Bank and Postbank), other restructuring expenses and separation costs related to WestlandUtrecht Bank. Divestments in both years related to the operating net results of the in 2011 divested ING Car Lease activities.

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

The underlying result before tax of Retail Netherlands increased 58.3% to EUR 1,374 million in 2010 from EUR 868 million in 2009, principally driven by higher income and lower expenses, despite an increase in risk costs. Total underlying income rose 11.4% to EUR 4,310 million in 2010. This increase was fully attributable to a 15.5% higher interest result, mainly driven by higher interest margins on savings and mortgages. Net production in residential mortgages was EUR 5.5 billion, while volumes in other lending decreased by EUR 1.1 billion due to low demand. Funds entrusted increased by a modest EUR 0.4 billion. Operating expenses declined 4.0% to EUR 2,376 million in 2010, principally driven by the cost containment program started in 2009 and efficiency improvements related to the merger of ING Bank and Postbank. The addition to the provision for loan losses increased 6.3% to EUR 560 million, or 108 basis points of average risk-weighted assets, as economic recovery in the Netherlands remained fragile.

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

RETAIL BELGIUM

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

Special items	(12)	(13)	(39)
Net result	**336**	**520**	**475**

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

The underlying result before tax of Retail Belgium fell 16.4% on 2010, as a slight decline in income was accompanied by higher operating expenses. Income decreased 0.8% compared to 2010, mainly due to EUR 17 million of impairments on Greek government bonds. Interest result remained flat, as decline in margins was compensated by higher volumes, particularly in savings and lending. Net production in mortgages totaled EUR 3.0 billion in 2011, while production in other lending was EUR 3.2 billion. The net production in funds entrusted was EUR 3.0 billion, mainly driven by the success of the Orange Book savings product in the beginning of the year. Operating expenses increased 6.5% on 2010 to EUR 1,432 million, mainly reflecting higher staff expenses, increased contribution to the deposit guarantee scheme and higher marketing expenses. The addition to the provision for loan losses declined 9.4%, to EUR 145 million, or 77 basis points of average risk weighted assets, mainly attributable to releases in the mid-corporate segment.

Underlying net result decreased to EUR 346 million in 2011 from EUR 458 million in 2010. The net result declined to EUR 336 million from EUR 520 million. In 2011, the impact of divestments was EUR 2 million, fully related to operating results of ING Car Lease sold in 2011. In 2010, divestments added EUR 75 million, and included next to the operating results of ING Car Lease, the gain on the sale of Swiss Private Banking activities. Special items after tax decreased in both 2010 and 2011, mainly related to the domestic transformation program.

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

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

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

ING DIRECT

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

Net result	**649**	**986**	**(378)**

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

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

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

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

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

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

RETAIL CENTRAL EUROPE

	Retail Central Europe		
(EUR millions)	**2011**	**2010**	**2009**
Underlying income:			
Interest result	705	670	675
Commission income	249	278	261
Investment income and other income	74	28	(76)
Total underlying income	**1,028**	**976**	**860**
Underlying expenditure:			
Operating expenses	773	761	660
Additions to the provision for loan losses	97	61	116
Total expenditure	**870**	**822**	**776**
Underlying result before tax	**158**	**154**	**84**
Taxation	30	31	29
Minority interests	29	20	5

Underlying net result	**99**	**103**	**50**
Special items			(6)
Net result	**99**	**103**	**44**

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

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

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

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

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

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

RETAIL ASIA

		Retail Asia	
(EUR millions)	**2011**	**2010**	**2009**
Underlying income:			
Interest result	143	169	110
Commission income	59	55	43
Investment income and other income	73	62	43
Total underlying income	**275**	**286**	**196**
Underlying expenditure:			
Operating expenses	173	180	132
Additions to the provision for loan losses	30	26	39
Total expenditure	**203**	**206**	**171**
Underlying result before tax	**72**	**80**	**25**
Taxation	14	15	5
Minority interests	30	22	10
Underlying net result	**28**	**43**	**10**
Divestments		334	(63)
Special items			(2)
Net result	**28**	**377**	**(55)**

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

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

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

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

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

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

COMMERCIAL BANKING (excluding Real Estate)

	Commercial Banking excluding Real Estate		
(EUR millions)	**2011**	**2010**	**2009**
Underlying income:			
Interest result	3,257	3,233	3,513
Commission income	933	910	811
Investment income and other income	(1,078)	82	(101)
Total underlying income	**3,112**	**4,225**	**4,223**
Underlying expenditure:			
Operating expenses	2,178	2,107	1,817
Additions to the provision for loan losses	330	387	968
Total expenditure	**2,508**	**2,494**	**2,785**
Underlying result before tax	**604**	**1,731**	**1,438**
Taxation	42	332	206
Minority interests	26	28	30
Underlying net result	**536**	**1,371**	**1,202**
Divestments	420	39	9
Special items	(68)	(31)	(169)
Net result	**888**	**1,379**	**1,042**

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

The underlying result before tax of Commercial Banking excluding Real Estate dropped by 65.1% to EUR 604 million in 2011 compared to EUR 1,731 million in 2010.

The decline in the underlying result before tax of Commercial Banking excluding Real Estate was largely attributable to Financial Markets, whose result declined by EUR 1,208 million to EUR (884) million 2011 from EUR 324 million in 2010. This decline was partially caused by the higher negative fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands and Belgium of EUR 788 million. These fair value changes are mainly a result of changes in market interest rates. As explained on page 5, no hedge accounting is applied to these derivatives under IFRS-IASB. Furthermore, EUR 225 million was caused by impairments on Greek government bonds taken in 2011. Excluding these impacts, underlying result of Financial Markets declined by EUR 195 million (or -21.2%), following adverse market circumstances as well as the winding down of the proprietary trading book in the US. Underlying result of General Lending and Payments and Cash Management (PCM) declined by 9.9% to EUR 410 million in 2011 from EUR 455 million in 2010. This was mainly driven by impairments on the restructuring portfolio, as well as higher expenses due to selective IT investments in PCM. The result of Structured Finance rose by 21.4% to EUR 1,139 million in 2011, driven by strong volume growth in the first half of 2011 resulting in higher interest results and commission income, while risk costs were lower. The result of Leasing & Factoring declined EUR 5 million to EUR 75 million entirely due to higher risk costs.

Total underlying income of Commercial Banking excluding Real Estate was 26.3% lower than in 2010, declining to EUR 3,112 million, driven primarily by Financial Markets. Underlying operating expenses increased by 3.4% to EUR 2,178 million, mainly as a result of investments in PCM as well as higher costs in Structured Finance. Provisions for loan losses were EUR 57 million lower in 2011, reaching EUR 330 million or 27 basis points of average risk-weighted assets, compared to EUR 387 million in 2010.

Underlying net result declined to EUR 536 million in 2011 from EUR 1,371 million in 2010. Net result declined to EUR 888 million in 2011 from EUR 1,379 million in 2010. Divestments added EUR 420 million to the 2011 net result and included gains on the sale of ING Car Lease and IIM Philippines as well as operating results from the divested units. In 2010, divestments added EUR 39 million fully related to divested units. Special items, mainly restructuring provisions, were EUR (68) million in 2011 and EUR (31) million in 2010.

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

The underlying result before tax of Commercial Banking excluding Real Estate increased 20.4% to EUR 1,731 million from EUR 1,438 million in 2009. The increased result of Commercial Banking excluding Real Estate was largely attributable to Structured Finance, the result of which increased threefold to EUR 938 million thanks to higher volumes and improved margins, combined with lower risk costs. Underlying result before tax from Financial Markets declined to EUR 324 million from EUR 633 million in 2009, mainly as a result of lower income in the client business following the normalization of the markets, as well as higher expenses partly caused by an accrual adjustment related to the deferral of incentive compensation in 2009. The results of General Lending & Payments and Cash Management (PCM) increased by 6.8%, as lower commission income and somewhat higher operating expenses were more than offset by significantly lower risk costs. Result before tax in Leasing & Factoring declined to EUR 80 million, driven by lower provisions for loan losses.

Total underlying income was stable at EUR 4,225 million. Higher income at Structured Finance was offset by declines at General Lending & PCM, Financial Markets, and Other Products. Underlying operating expenses increased 16.0% to EUR 2,107 million partly caused by an accrual adjustment related to the deferral of incentive compensation in 2009 and despite lower impairments on real estate development projects.

Underlying net result increased to EUR 1,371 million in 2010 from EUR 1,202 million in 2009. Net result rose to EUR 1,379 million in 2010 compared with EUR 1,042 million in 2009. Special items in 2010 were EUR (31) million, mainly restructuring provisions. Divestments were EUR 39 million in 2010, related to operating results of divested units. The net result in 2009 included EUR (169) million of special items, mainly related to restructuring provisions as part of the Group initiative to reduce operating expenses. In 2009, divestments were EUR 9 million relating to operating results of ING Car Lease.

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ING REAL ESTATE

(EUR millions)	ING Real Estate 2011	2010	2009
Underlying income:			
Interest result	482	439	428
Commission income	44	28	6
Investment income and other income	3	62	(654)
Total underlying income	**529**	**529**	**(220)**
Underlying expenditure:			
Operating expenses	349	536	591
Additions to the provision for loan losses	146	102	239
Total expenditure	**495**	**638**	**830**
Underlying result before tax	**34**	**(109)**	**(1,050)**
Taxation	87	27	(216)
Minority interests	(7)	4	29
Underlying net result	**(46)**	**(140)**	**(863)**
Divestments	453	17	(150)
Special items	(12)	(34)	(29)
Net result	**395**	**(157)**	**(1,042)**

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

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

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

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

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

Underlying net result improved to a loss of EUR (140) million in 2010 from a loss of EUR (863) million in 2009. Net result in 2010 was a loss of EUR (157) million compared with a loss of EUR (1,042) million in 2009. Special items in 2010 were EUR (34) million, mainly related to restructuring activities within the unit, compared with EUR

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(29) million of special items in 2009. Divestments in 2010 were EUR 17 million, related to the operating result of the Real Estate Investment Management business divested in 2011 and the divestment of ING s 50% stake in ING Summit Industrial Fund and the manager of Summit, ING Real Estate Canada in 2010. Divestments in 2009 were EUR (150) million, fully related to the operating results of the Real Estate Investment Management business and Summit.

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INSURANCE OPERATIONS

The following table sets forth the contribution of ING s insurance business lines and the corporate line Insurance (CL) to the net result for each of the years 2011, 2010, and 2009. With regard to insurance activities, ING Group analyses, as of 2011, the underlying result through a margin analysis, which includes the following components: Operating result and Non-operating items. Both are compsed of into various sub-components. The total of operating result and non-operating items (gains/ losses and impairments, revaluations and market & other impacts) equals underlying result before tax.

(EUR millions) **2011**	Insurance Benelux	Insurance CRE	Insurance US	Insurance Closed Block VA	Insurance Asia/Pacific	ING IM	Corporate line	Total Insurance
Investment margin	666	76	892	28	73	4		1,739
Fees and premium based revenues	585	458	1,064	168	1,442	868		4,585
Technical margin	315	169	72	28	178			762
Income non-modeled business	36	9			44			89
Life & ING IM operating income	**1,602**	**712**	**2,028**	**224**	**1,737**	**872**		**7,175**
Administrative expenses	594	308	742	81	456	676		2,857
DAC amortisation and trail commissions	213	202	625	124	731	3		1,898
Life & ING IM expenses	**807**	**510**	**1,367**	**205**	**1,187**	**679**		**4,755**
Life & ING IM operating result	**795**	**202**	**661**	**19**	**550**	**193**		**2,420**
Non-life operating result	179	5			4			188
Corporate line operating result							(402)	(402)
Operating result	**974**	**207**	**661**	**19**	**554**	**193**	**(402)**	**2,206**
Gains/losses and impairments	(47)	(404)	(166)	2	60	5		(550)
Revaluations	62	(1)	159	1	(8)	6	(14)	205
Market & other impacts	(250)		(36)	(1,295)	(18)		52	(1,547)
Underlying result before tax	**739**	**(198)**	**618**	**(1,273)**	**588**	**204**	**(364)**	**314**
Taxation	69	21	(22)	(222)	121	72	(20)	19
Minority interests	4	10					(10)	4
Underlying net result	**666**	**(229)**	**640**	**(1,051)**	**467**	**132**	**(334)**	**291**
Divestments					29	26	(9)	46
Discontinued operations								1,104
Special items	(104)	(77)	(44)		(2)	(12)	11	(228)
Net result	**562**	**(306)**	**596**	**(1,051)**	**494**	**146**	**(332)**	**1,212**

(EUR millions) **2010**	Insurance Benelux	Insurance CRE	Insurance US	Insurance Closed Block VA	Insurance Asia/Pacific	ING IM	Corporate line	Total Insurance
Investment margin	457	77	827	(11)	53	2		1,405
Fees and premium based revenues	578	501	1,060	121	1,329	826		4,415
Technical margin	243	149	195	9	157			753
Income non-modeled business	40	16			80			136
Life & ING IM operating income	**1,318**	**743**	**2,082**	**119**	**1,619**	**828**		**6,709**
Administrative expenses	567	261	904	77	441	682		2,932

DAC amortisation and trail commissions	230	197	619	(7)	710	3		1,752
Life & ING IM expenses	**797**	**458**	**1,523**	**70**	**1,151**	**685**		**4,684**
Life & ING IM operating result	**521**	**285**	**559**	**49**	**468**	**143**		**2,025**
Non-life operating result	156	7			5			168
Corporate line operating result							(633)	(633)
Operating result	**677**	**292**	**559**	**49**	**473**	**143**	**(633)**	**1,560**
Gains/losses and impairments	14	(29)	(564)	22	50	10	(15)	(512)
Revaluations	60		490	3	(14)	(3)	(87)	449
Market & other impacts	24	(10)	(177)	(2,149)	8		(265)	(2,569)
Underlying result before tax	**775**	**253**	**308**	**(2,075)**	**517**	**150**	**(1,000)**	**(1,072)**
Taxation	130	63	(155)	(57)	137	56	(214)	(40)
Minority interests	15	10			1	1	(9)	18
Underlying net result	**630**	**180**	**463**	**(2,018)**	**379**	**93**	**(777)**	**(1,050)**
Divestments	4	(4)	(12)				6	(6)
Discontinued operations								209
Special items	(33)	(46)	(66)			(41)	(539)	(725)
Net result	**601**	**130**	**385**	**(2,018)**	**379**	**52**	**(1,310)**	**(1,572)**

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(EUR millions) 2009	Insurance Benelux	Insurance CRE	Insurance US	Insurance Closed Block VA	Insurance Asia/Pacific	ING IM	Corporate line	Total Insurance
Investment margin	368	77	643	22	9	17		1,136
Fees and premium based revenues	569	522	967	167	1,083	704		4,012
Technical margin	286	175	238	25	163			887
Income non-modeled business	23	14			86			123
Life & ING IM operating income	**1,246**	**788**	**1,848**	**214**	**1,341**	**721**		**6,158**
Administrative expenses	635	261	791	87	410	535		2,719
DAC amortisation and trail commissions	235	197	489	104	570	3		1,598
Life & ING IM expenses	**870**	**458**	**1,280**	**191**	**980**	**538**		**4,317**
Life & ING IM operating result	**376**	**330**	**568**	**23**	**361**	**183**		**1,841**
Non-life operating result	248	6			4			258
Corporate line operating result							(802)	(802)
Operating result	**624**	**336**	**568**	**23**	**365**	**183**	**(802)**	**1,297**
Gains/losses and impairments	(44)	(44)	(515)	38	26		(7)	(546)
Revaluations	(356)		272	(4)	(9)	(33)	(213)	(343)
Market & other impacts	66	(1)	31	(821)	1		(194)	(918)
Underlying result before tax	**290**	**291**	**356**	**(764)**	**383**	**150**	**(1,216)**	**(510)**
Taxation	58	57	138	(118)	112	56	(398)	(95)
Minority interests	15	12			1	1	(12)	17
Underlying net result	**217**	**222**	**218**	**(646)**	**270**	**93**	**(806)**	**(432)**
Divestments	(119)	(13)	(62)		363	7	(40)	136
Discontinued operations								94
Special items	(117	(14)	(202)		(26)	(27)	(110)	(497)
Net result	**(19)**	**195**	**(46)**	**(646)**	**606**	**73**	**(955)**	**(698)**

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

Operating conditions were challenging in 2011, as financial markets continued to be volatile and the macroeconomic environment deteriorated. The underlying result before tax of Insurance/IM was EUR 314 million, up from a loss of EUR (1,072) million in 2010. The increase was primarily driven by an improvement in market and other impacts as a result of lower DAC write downs in the US Closed Block VA business and in Japan s Single Premium Variable Annuity (SPVA) business. This is however partially offset by a charge of EUR 1.1 billion due to the completion of a comprehensive policyholder behaviour assumption review for the US Closed Block VA. Capital losses, reflecting de-risking, and impairments were in line with the previous year. Further, revaluations were lower, largely related to Collateralised Mortgage Obligations (CMOs) in the US. Hence, underlying results per business line diverged, with strong recoveries in the US and Asia/Pacific (excluding Japan variable annuities), compared with lower underlying results in the Benelux and Central and Rest of Europe.

The operating result of Insurance/IM increased to EUR 2,206 million from EUR 1,560 million in 2010, mostly driven by higher investment margins and higher fees and premium-based revenues in the life and the investment management business. The investment spread on life general account assets increased 16 basis points to 106 basis points in 2011 following cautious re-risking of the investment portfolios in the first half of 2011, which was partially offset by de-risking in the second half. The increase in operating income was partly offset by higher expenses. Operating results improved in nearly every business line, with the exception of Central and Rest of Europe given the harsh economic conditions and in US Closed Block VA.

The Life/IM administrative expenses ratio improved from 43.7% in 2010 to 39.8% in 2011 as a result of 6.9% higher Life/IM income and 2.6% lower administrative expenses. Expenses especially in the US were lower as a result of cost savings and pension plan changes.

New life sales (Annual Premium Equivalent APE) amounted to EUR 4,200 million, an increase of EUR 31 million or 0.7% compared with last year. Higher sales, mainly in Asia/Pacific, were partly offset by lower sales in the US.

Underlying net result increased EUR 1,341 million from EUR (1,050) million in 2010 to EUR 291 million in 2011. Net result from insurance operations increased to EUR 1,212 million in 2011 compared with a loss of EUR (1,572) million in 2010. Net gains on divestments were realised mainly by the sale of the Latin American pension, life insurance and investment management operations. The discontinued Latin American operations added EUR 109 million to the net result compared to EUR 209 million in the previous year. Special items were EUR (228) million in 2011, mainly relating to restructuring costs and integration costs. In 2010 special items were EUR (725) million relating to EUR (513) million goodwill impairment in the Corporate Line, restructuring costs in the US of EUR (64) million, the integration of the Dutch insurance companies of EUR (29) million, a program to standardise regional IT, procurement and finance processes in Central and Rest of Europe of EUR (44) million and a programme to integrate investment management into one global organization of EUR (38) million.

In the US, the closed block variable annuity business was reported as a separate business line as of the fourth quarter of 2010. The split of the US insurance business into two business lines, triggered a EUR 975 million write-down of deferred acquisition costs related to the closed variable annuity business, bringing the reserve adequacy on this block to well above 50%. See Note 43 of Note 2.1 to the consolidated financial statements.

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

Although business fundamentals improved, the underlying loss before tax of Insurance/IM was EUR (1,072) million compared with a loss of EUR (510) million in 2009. Market conditions continued to improve in 2010, although at a relatively slow pace given the depth of the financial crisis in 2008 and 2009. The operating result of Insurance/IM increased to EUR 1,560 million from EUR 1,297 million in 2009, mostly driven by higher investment margins and increased fees and premium-based revenues in life insurance and the investment management business. The 4-quarter rolling average investment spread on life general account assets increased 9 basis points to reach 90 basis points in 2010, after cautious re-risking of the investment portfolios.

The 8.9% increase in Life & ING IM operating income was partly offset by higher expenses. Operating results improved in the Benelux, Asia/Pacific and US Closed Block VA. Operating results were lower in Central and Rest of Europe given the harsh economic conditions in this region, US Investment Management following higher expenses related to the build-up of its global investment capabilities, and Insurance US due to higher administrative expenses and DAC amortisation and trail commissions.

Despite the 7.9% increase in Life administrative expenses, partly driven by the weakening of the euro against most major international currencies, the Life & IM administrative expense ratio improved to 43.7% for the full year. Especially in the Benelux, significant progress was made in containing expenses through the integration of the Dutch businesses.

The increase in the operating result and significantly higher revaluations of investments were more than cancelled out by higher negative market impacts, mostly related to the closed variable annuity blocks in the US and Japan. Hence, underlying results per business line diverged, with strong result recoveries in the Benelux and Asia/Pacific (excluding Japan variable annuities), compared with lower results in Central and Rest of Europe and the US.

Underlying net result decreased from EUR (432) million in 2009 to EUR (1,050) million in 2010. Net result from insurance operations decreased to EUR (1,572) million in 2010 compared with a loss of EUR (698) million in 2009. Special items in 2010 were EUR (725) million, mainly relating to a EUR (513) million goodwill impairment in the Corporate Line, restructuring costs in the US of EUR of (64) million, the integration of the Dutch insurance companies of EUR (29) million, a program to standardise regional IT, procurement and finance processes in Central and Rest of Europe of EUR (44) million and a programme to integrate investment management into one global organization of EUR (38) million. Discontinued operations (Latin American pension, life insurance and investment management operations) added EUR 209 million to net result in 2010 and EUR 94 million in 2009, respectively. The loss in 2009 included EUR (497) million of special items, mainly related to a transaction result and additional charge from the Illiquid Assets Back-up Facility of EUR (262) million, restructuring provisions of EUR (151) million and the integration of the Dutch insurance companies of EUR (43) million, and a profit of EUR 136 million of results from divested units

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INSURANCE BENELUX

	Insurance Benelux		
	2011	2010	2009
		(EUR millions)	
Investment margin	666	457	368
Fees and premium based revenues	585	578	569
Technical margin	315	243	286
Income non-modeled life business	36	40	23
Life & ING IM operating income	**1,602**	**1,318**	**1,246**
Administrative expenses	594	567	635
DAC amortisation and trail commissions	213	230	235
Life& ING IM expenses	**807**	**797**	**870**
Life & ING IM operating result	795	521	376
Non-life operating result	179	156	248
Operating result	**974**	**677**	**623**
Gains/losses and impairments	(47)	14	(44)
Revaluations	62	60	(356)
Market & other impacts	(250)	24	66
Underlying result before tax	**739**	**775**	**290**
Taxation	69	130	58
Minority interests	4	15	15
Underlying net result	**666**	**630**	**217**
Divestments		4	(119)
Special items	(104)	(33)	(117)
Net result	**562**	**601**	**(19)**

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

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

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

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

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

New sales (APE) increased by 6.8% in 2011, mainly driven by higher corporate pension sales and renewals.

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

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

The underlying result before tax in the Benelux more than doubled in 2010 to EUR 775 million, compared to 2009, reflecting a higher operating result (increase of EUR 54 million), lower negative real estate revaluations (decrease of EUR 379 million) as well as lower negative realized gains on real estate (decrease of EUR 57 million). After a period of rapidly declining real estate values, the ING Insurance Real Estate Portfolio benefited from both the continuing recovery in the UK real estate market and stabilizing yields in Continental Europe. Operating result increased 8.7%, as a higher investment margin and lower expenses more than compensated for a lower technical margin as well as a lower non-life result. The higher investment margin (increase of EUR 88 million or 23.9% increase) reflected a higher fixed income result as cash balances were reinvested over the course of 2010.

The non-life operating result totaled EUR 156 million in 2010 compared to EUR 248 million in 2009. This decline was due to the inclusion of favorable one-off items in the 2009 result. Furthermore, adverse claims development in the disability business and a few large fire claims in 2010 contributed to the decline in the non-life result.

The technical margin decreased to EUR 243 million compared to EUR 286 million in 2009 as the second quarter of 2009 included a favorable one-off item, being the release of EUR 54 million in morbidity provisions. Life expenses declined by 8.4% because of lower administrative expenses mainly reflecting lower staff levels in the Benelux.

Underlying net result increased by EUR 413 million to EUR 630 million in 2010 from EUR 217 million in 2009. Net result increased EUR 620 million to EUR 601 million from a loss of EUR (19) million in 2009. In 2009 divestments contributed EUR (119) million to the loss due to the sale of Industry Pension Funds. Special items in 2010 were EUR (33) million, relating to the integration of the Dutch insurance companies, compared to EUR (117) million in 2009 related to restructuring provisions and other costs related to the integration of the Dutch insurance companies.

INSURANCE CENTRAL AND REST OF EUROPE

	Insurance CRE		
	2011	**2010**	**2009**
	(EUR millions)		
Investment margin	76	77	77
Fees and premium based revenues	458	501	522
Technical margin	169	149	175
Income non-modeled life business	9	16	14
Life & ING IM operating income	**712**	**743**	**788**
Administrative expenses	308	261	261
DAC amortisation and trail commissions	202	197	197
Life& ING IM expenses	**510**	**458**	**458**
Life & ING IM operating result	202	285	330
Non-life operating result	5	7	6
Operating result	**207**	**292**	**336**
Gains/losses and impairments	(404)	(29)	(44)
Revaluations	(1)		
Market & other impacts		(10)	(1)
Underlying result before tax	**(198)**	**253**	**291**
Taxation	21	63	57
Minority interests	10	10	12
Underlying net result	**(229)**	**180**	**222**
Divestments		(4)	(13)
Special items	(77)	(46)	(14)

Net result	**(306)**	**130**	**195**

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

The underlying result before tax of Insurance Central and Rest of Europe was a loss of EUR (198) million compared to a EUR 253 million profit in 2010. In addition to a lower operating result, the gains/losses and impairments were EUR (404) million compared to EUR (29) million in 2010. This decrease was mainly caused by EUR 324 million impairments of Greek governments bonds, EUR 34 million capital losses on sales of Italian sovereign bonds and EUR 18 million capital losses on sales of Portuguese bonds of financial institutions.

The operating result declined 29.3% to EUR 207 million from EUR 292 million last year. The decline was mainly driven by lower fees reflecting regulatory changes in the region s major pension markets (Poland, Hungary) and higher administrative expenses, mainly related to project costs.

The investment margin of EUR 76 million remained flat compared with EUR 77 million last year. Fees and premium-based revenues declined 8.6% compared with 2010. This decline was driven by regulatory changes affecting pension funds in Poland and Hungary. In addition the decline reflects a reallocation of health insurance premiums in Greece to the technical margin. The technical margin increased by 13.4% due to the reallocation of health insurance premiums in Greece from fees and premium-based revenues. Life administrative expenses rose by 17.7% compared with last year, mainly due to higher project-related costs as Solvency II and building a regional IT organisation. The increase also reflects non-recurring restructuring expenses in Spain, Hungary and Greece.

New sales (APE) increased 1.3% compared to the previous year. Life sales rose by EUR 23 million compared to 2010, due to successful new product launches. This increase was offset by EUR 18 million lower pension sales compared to 2010, reflecting the regulatory changes for pension funds in Poland and Hungary.

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

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

The underlying result before tax of Insurance Central and Rest of Europe decreased by 12.7% to EUR 253 million from EUR 291 million in 2009. Gains and losses on sales of securities and impairments were EUR (29) million in 2010 compared to EUR (45) million in 2009, mainly as a result of EUR 10 million lower impairments in Spain. Market and other impacts were EUR (10) million as a result of a prepaid capitalized commission write-off in the pension fund in Hungary.

The operating result fell by 13.1% to EUR 292 million. This result was largely driven by a EUR 26 million lower technical margin and EUR 21 million lower fees and premium-based revenues. The EUR 26 million lower technical margin was largely driven by a release in the provision for rider reserves in Poland and Hungary in 2009 of EUR 23 million and to a lesser extent by a lower realized result on surrenders. The decrease in fees and premium-based revenues of EUR 21 million was largely driven by lower revenues in both the pension fund in Poland and the life company in the Czech Republic. Administrative expenses were stable at EUR 261 million in 2010 compared to EUR 261 million in 2009, despite a EUR 16 million tax on financial institutions in Hungary and a EUR 7 million currency impact. Excluding both items, administrative expenses were EUR 22 million lower on a comparable basis.

Underlying net result decreased to EUR 180 million in 2010 from EUR 222 million in 2009. Net result in 2010 decreased to EUR 130 million from EUR 195 million in 2009. Special items in 2010 were EUR (46) million, relating to a program to standardize regional IT-, procurement and finance processes, compared to EUR (14) million in 2009 related to restructuring provisions.

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INSURANCE UNITED STATES

	Insurance United States		
	2011	**2010**	**2009**
		(EUR millions)	
Investment margin	892	827	643
Fees and premium based revenues	1,064	1,060	967
Technical margin	72	195	238
Life & ING IM operating income	**2,028**	**2,082**	**1,848**
Administrative expenses	742	904	791
DAC amortisation and trail commissions	625	619	489
Life& ING IM expenses	**1,367**	**1,523**	**1,280**
Life & ING IM operating result	661	559	568
Operating result	**661**	**559**	**568**
Gains/losses and impairments	(166)	(564)	(515)
Revaluations	159	490	272
Market & other impacts	(36)	(177)	31
Underlying result before tax	**618**	**308**	**356**
Taxation	(22)	(155)	138
Underlying net result	**640**	**463**	**218**
Divestments		(12)	(62)
Special items	(44)	(66)	(202)
Net result	**596**	**385**	**(46)**

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

The underlying result before tax of Insurance US more than doubled to EUR 618 million from EUR 308 million in 2010. The increase was driven by higher operating results, lower impairments, and favourable DAC unlocking, partially offset by lower revaluations and a non-recurring increase in reserves related to the company s use of the U.S. Social Security Death Master File to identify potential claims.

The operating result for Insurance US increased 18.3% as a higher investment margin and lower operating expenses were partially offset by a lower technical margin. The investment margin increased by 7.8% primarily due to a reduction in average interest credited. The technical margin decreased by 63.1% compared with 2010, in part due to lower amortisation of a gain related to the transfer of the US group reinsurance business in the first quarter of 2010 as well as a non-recurring reserve reduction in the prior year. Administrative expenses were 17.9% lower than in 2010 due to changes in the company s pension plan as well as cost savings.

New sales (APE) were 5.9% lower compared with 2010 due to lower Stable Value and Fixed Annuity sales.

Underlying net result increased by EUR 177 million to EUR 640 million in 2011 from EUR 463 million in 2010. Net result increased by EUR 212 million to EUR 596 million from a EUR 385 million net result in 2010. In 2010 divestments contributed EUR (12) million to the net profit due to the divestment of US Group Re, US Advisors Network and ING Canada. Special items in 2011 were EUR (44) million relating to separation of Insurance/IM US from ING Bank, the establishment of a new head office and the local activities for the IPO preparation, compared to EUR (66) million in 2010 relating to restructuring costs.

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

The underlying result before tax of Insurance US in 2010 decreased to EUR 308 million from EUR 356 million in 2009. The impact of non-operating items in 2010 of EUR (251) million was greater than the impact in 2009 of EUR (212) million as the higher favorable result from revaluations was more than offset by lower results from deferred acquisition costs (DAC) and reserve adjustments, primarily related to fixed annuities. The operating result decreased slightly to EUR 559 million in 2010 from EUR 568 million in 2009. Higher operating income in 2010 was more than cancelled out by higher administrative expenses and DAC amortisation and trail commissions. The rise in operating income was driven by a higher investment margin mainly from lower interest rate swap expenses and reinvestments into (longer duration) fixed income securities, and also from higher fees and premium-based revenues, as a result of increased assets under management. Administrative expenses increased to EUR 904 million from EUR 791 million in 2009. The comparison with 2009 is impacted by accrual adjustments which lowered expenses in 2009 as well as currency effects. DAC amortisation and trail commissions increased to EUR 619 million from EUR 489 million in 2009 due to higher operating income and higher assets under management resulting in higher trail commissions.

Underlying net result increased to EUR 463 million in 2010 from EUR 218 million in 2009. Net result in 2010 increased to EUR 385 million from a loss of EUR (46) million in 2009. Divestments in 2010 were EUR (12) million compared to EUR (62) million in 2009 related to the divestment of US Group Re, US Advisors Network and ING Canada. Special items in 2010 were EUR (66) million, relating to restructuring costs, compared to EUR (202) million in 2009 mainly related to the Illiquid Assets Back-up Facilities.

INSURANCE US CLOSED BLOCK VA

	Insurance US Closed Block VA		
	2011	2010	2009
		(EUR millions)	
Investment margin	28	(11)	22
Fees and premium based revenues	168	121	167
Technical margin	28	9	25
Life & ING IM operating income	**224**	**119**	**214**
Administrative expenses	81	77	87
DAC amortisation and trail commissions	124	(7)	104
Life& ING IM expenses	**205**	**70**	**191**
Life & ING IM operating result	19	49	23
Operating result	**19**	**49**	**23**
Gains/losses and impairments	2	22	38
Revaluations	1	3	(4)
Market & other impacts	(1,295)	(2,149)	(821)
Underlying result before tax	**(1,273)**	**(2,075)**	**(764)**
Taxation	(222)	(57)	(118)
Underlying net result	**(1,051)**	**(2,018)**	**(646)**
Net result	**(1,051)**	**(2,018)**	**(646)**

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

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

The operating result for the US Closed Block VA was EUR 19 million versus EUR 49 million in 2010.

The investment margin was EUR 28 million compared with EUR (11) million in 2010.

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

The underlying loss before tax was EUR (2,075) million in 2010 compared with an underlying loss before tax of EUR (764) million in 2009. The negative underlying result before tax was driven by reductions in the DAC balance. In the second quarter of the year, the DAC balance was reduced as a result of an 11.9% decline in the S&P 500 during the quarter. In the fourth quarter, the DAC balance further decreased mainly due to a non-recurring DAC write down of EUR 975 million. This DAC write-down, triggered by making the VA business a

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separate business line, was implemented to improve the reserve adequacy to meet the 50% confidence level for the business on a stand-alone basis. Excluding these non-operating items, the operating result improved by EUR 26 million to EUR 49 million in 2010 from EUR 23 million in 2009, as lower expenses more than offset the decrease in operating income.

Life & ING IM operating income fell EUR 95 million to EUR 119 million from EUR 214 million in 2009, mainly due to lower investment margin and lower fees and premium based revenues. The investment margin decreased by EUR 33 million to EUR (11) million primarily reflecting higher balances in short-term investments and the impact of lower interest rates. Fees and premium-based revenues decreased by EUR 46 million to EUR 121 million as higher fee income was more than offset by higher hedging costs. The decrease in the technical margin of EUR 16 million was mainly attributable to non-recurring negative reserve developments in the fourth quarter 2010. Total life expenses decreased to EUR 70 million in 2010 from EUR 191 million in 2009 mainly due to lower DAC amortisation, resulting from lower operating income. Administrative expenses in 2010 were lower compared with 2009 as product distribution and support teams were reduced or redeployed following the strategic decision to cease sales of variable annuity products effective as of March 31, 2010. This decision was a part of the overall global strategy and risk reduction plan.

INSURANCE ASIA/PACIFIC

	Insurance Asia/Pacific		
	2011	2010	2009
		(EUR millions)	
Investment margin	73	53	9
Fees and premium based revenues	1,442	1,329	1,083
Technical margin	178	157	163
Income non-modeled life business	44	80	86
Life & ING IM operating income	**1,737**	**1,619**	**1,341**
Administrative expenses	456	441	410
DAC amortization and trail commissions	731	710	570
Life& ING IM expenses	**1,187**	**1,151**	**980**
Life & ING IM operating result	550	468	361
Non-life operating result	4	5	4
Operating result	**554**	**473**	**365**
Gains/losses and impairments	60	50	26
Revaluations	(8)	(14)	(9)
Market & other impacts	(18)	8	1
Underlying result before tax	**588**	**517**	**383**
Taxation	121	137	112
Minority interests		1	1
Underlying net result	**467**	**379**	**270**
Divestments	29		363
Special items	(2)		(26)
Net result	**494**	**379**	**606**

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

The underlying result before tax of Insurance Asia/Pacific increased by 14.0% to EUR 588 million compared with EUR 517 million in 2010. The operating result for Insurance Asia/Pacific increased by 17.4%, primarily driven by higher fees and premium-based revenue and a higher technical margin.

The investment margin rose by 37.7%, supported by an improved spread between interest earned on general account assets and interest credited to reserves in Japan and Hong Kong. This was partly offset by lower dividend income. Fees and premium-based revenues increased by 8.5%, driven by growth in premium income, particularly in Japan s COLI business as well as in Hong Kong and KB Life in South Korea. The inclusion of the Malaysian Employee Benefits business (modelled as of the first quarter of 2011), contributed an additional EUR 31 million, with a corresponding reduction in non-modelled income. The technical margin increased by 13.5% to EUR 178 million from EUR 157 million in the previous year, mainly driven by South Korea and Malaysia. Life administrative expenses increased 3.2% to support business growth. The ratio of administrative expenses to operating income fell from 27.3% in 2010 to 26.3% in 2011.

New sales (APE) increased by 11.8% driven by growth in Japan, Malaysia, Hong Kong and China.

Underlying net result increased EUR 88 million to EUR 467 million in 2011 from EUR 379 million in 2010. Net result increased by EUR 115 million to EUR 494 million from a EUR 379 million net result in 2010. In 2011 divestments contributed EUR 29 million to the net profit due to the sale of the share in the Pacific Antai Life Insurance Corporation. Special items in 2011 were EUR (2) million, relating to the separation of Insurance IM/Asia/Pacific from ING Bank.

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

Insurance Asia/Pacific posted an underlying result before tax of EUR 517 million in 2010, an increase of 34.7% compared to EUR 383 million in 2009. This was achieved by improved operating results in most countries in the region in 2010. Market-related items and other impacts contributed EUR 44 million to the result compared to EUR 18 million in 2009. The operating result of EUR 473 million in 2010 rose by 29.3% or 11.6% excluding currency effects from EUR 365 million in 2009, driven by higher operating income, partly offset by moderate growth in expenses.

The Life & ING IM operating income increased 20.6% to EUR 1,619 million in 2010 from EUR 1,342 million in 2009. The increase was attributable to higher fees and premium-based revenues driven by volume growth in most countries as well as an ongoing improvement in the investment margin reflecting increased investment income, growth in general account assets and reinvestment of cash in longer-duration assets. Administrative expenses increased by a modest 7.6%, but fell by 3.6% excluding currency effects as a result of focus on cost discipline throughout the region. DAC amortisation and trail commissions grew by 24.3% to EUR 710 million from the previous year reflecting currency impacts and business growth. Total Life & ING IM expenses increased by 17.3% to EUR 1,151 million compared to EUR 980 million in 2009.

Underlying net result increased to EUR 379 million in 2010 from EUR 270 million in 2009. Net result in 2010 decreased to EUR 379 million from EUR 606 million in 2009. Divestments in 2009 were EUR 363 million and related to Australia and Taiwan. Special items in 2009 were EUR (26) million, relating to a restructuring provision related to the Japan SPVA runoff.

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ING INVESTMENT MANAGEMENT

	ING Investment Management		
	2011	**2010**	**2009**
		(EUR millions)	
Investment margin	4	2	17
Fees and premium based revenues	868	826	704
Life & ING IM operating income	**872**	**828**	**721**
Administrative expenses	676	682	535
DAC amortisation and trail commissions	3	3	3
Life& ING IM expenses	**679**	**685**	**538**
Life & ING IM operating result	193	143	183
Operating result	**193**	**143**	**183**
Gains/losses and impairments	5	10	
Revaluations	6	(3)	(33)
Underlying result before tax	**204**	**150**	**150**
Taxation	72	56	56
Minority interests		1	1
Underlying net result	**132**	**93**	**93**
Divestments	26		7
Special items	(12)	(41)	(27)
Net result	**146**	**52**	**73**

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

Assets under management (AuM) at ING Investment Management (ING IM) increased 3.8% to EUR 321.7 billion from EUR 309.9 billion at year-end 2010. The AuM balance excluded assets managed by ING IM Australia (EUR 22.3 billion) which was sold on October 4, 2011. Inflows in the institutional and proprietary segments were partly offset by outflows in the retail segment.

The underlying result before tax increased 36.0% to EUR 204 million and the operating result increased 34.2% to EUR 193 million. Both increases were largely attributable to higher fee income in line with the increase in assets managed.

Fees and premium-based revenues increased 5.1% to EUR 868 million from EUR 826 million in 2010 supported by an increase in assets managed. The annualised fourth quarter ratio of fees to average AuM decreased to 27 basis points compared with the previous year at 29 basis points partly due to a change in the underlying asset mix. This ratio is calculated using an average of opening and closing AuM balances for the period. Administrative expenses were 0.8% lower than the previous year mainly due to staff reduction and a non-recurring expense reduction from a change to the IM US pension plan.

Underlying net result increased EUR 38 million to EUR 132 million in 2011 from EUR 93 million in 2010. Net result increased by EUR 93 million to EUR 146 million from a EUR 52 million net result in 2010. In 2011 divestments contributed EUR 26 million to the net profit due to the sale of IM Australia. Special items in 2011 and 2010 were EUR (12) million and EUR (41) million, respectively, relating to the integration into one global investment management organisation.

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

Underlying result before tax remained stable at EUR 150 million in 2010 as a result of a EUR 30 million reduction in negative revaluations in private equity investments and the reversal of an impairment on assets in India (EUR 8 million), which were almost cancelled out by a EUR 40 million lower operating result.

The operating result fell by 21.8% to EUR 143 million as a result of a EUR 146 million increase in administrative expenses and a EUR 15 million reduction in the investment margin, which was in total largely offset by EUR 122 million higher fees and premium-based revenues. Fees and premium-based revenues increased by 17.3% to EUR 826 million. The 9.2% increase in assets under management was the main driver for these higher revenues, further assisted by the introduction of a fixed service fee in the third quarter which related to the

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transfer of funds to the Luxembourg platform. As of the third quarter of 2010, expenses of these funds were no longer recorded as negative fee income. Administrative expenses grew by 27.3% to EUR 682 million in 2010 from EUR 535 million in the previous year. Comparisons with 2009 were impacted by accrual adjustments, which reduced the expense level in the fourth quarter of 2009 by EUR 33 million. This increase was mainly due to the introduction of a fixed service fee (EUR 17 million) and higher staff costs.

Underlying net result remained unchanged at EUR 93 million. Net result in 2010 decreased to EUR 52 million from EUR 73 million in 2009. Special items in 2010 were EUR (41) million, relating to the integration into one global investment management organisation and EUR (27) million in 2009 relating to restructuring provisions.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s condensed consolidated assets and liabilities for the years ended December 31, 2011, 2010 and 2009, reference is made page F-3 for the complete consolidated balance sheet of ING Group.

	2011	2010	2009
	(EUR billions, except amounts per share)		
Cash and balances with central banks	31.2	13.1	15.4
Amounts due to banks	45.3	51.8	43.4
Investments	217.4	234.2	212.1
Financial assets at fair value through the profit and loss account	262.7	263.9	233.2
Loans and advances to customers	596.9	608.9	575.3
Assets held for sale	62.5	0.7	5.0
Other assets	31.0	36.5	39.2
Total assets	1,273.6	1,242.7	1,160.0
Insurance and investment contracts:			
Life	262.1	255.5	226.7
Non-life	3.5	3.6	3.5
Investment contracts	13.2	12.0	11.3
Total insurance and investment contracts	278.8	271.1	241.5
Customer deposits and other funds on deposits (1)	467.5	511.4	469.5
Debt securities in issue/other borrowed funds	159.5	157.9	143.1
Liabilities held for sale	64.3	0.4	4.9
Other liabilities	33.2	36.4	40.3
Total liabilities (including minority interests)	1,227.4	1,199.3	1,123.0
Non-voting equity securities	3.0	5.0	5.0
Shareholders equity	42.5	37.7	30.9
Shareholders equity per Ordinary Share (in EUR)	11.22	9.98	8.17

(1) Customer deposits and other funds on deposits consists of savings accounts, other deposits, bank funds and debt securities privately issued by the banking operations of ING.

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

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

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

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

Total assets increased in 2010 by 7.1%, or EUR 82.7 billion, to EUR 1,242.7 billion, mainly due a EUR 22.1 billion increase of investments, increased financial assets at fair value through the profit and loss account of EUR 30.7 billion and loans and advances to customers which rose by EUR 33.6 billion. The increase in Investments was almost entirely caused by the insurance operations, which rose by EUR 17.8 billion due to positive revaluations and favourable currency effects. The financial assets at fair value through the profit and loss account of the banking operations increased by EUR 12.3 billion, due to positive currency effects and higher trading and non-trading derivatives. The insurance operations increased by EUR 17.4 billion, mainly due to increased investments for risk of policyholders. The increase in loans and advances to customers was almost completely caused by the banking operations, which increased by EUR 35.1 billion almost entirely in residential mortgages at ING Direct and in the Benelux.

Shareholders equity increased by 22.1% or EUR 6.8 billion to EUR 37.7 billion at December 31, 2010 compared to EUR 30.9 billion at December 31, 2009. The increase is mainly due the net profit of EUR 2.4 billion, unrealised revaluations debt securities of EUR 3.1 billion and exchange rate difference of EUR 2.9 billion, partly offset by deferred interest crediting to life policyholders of EUR (1.6) billion.

LIQUIDITY AND CAPITAL RESOURCES

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

As a holding company, ING Groep N.V. s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. ING Groep N.V. s total debt and capital securities outstanding to third parties at December 31, 2011 was EUR 15,517 million, at December 31, 2010, EUR 18,337 million and at December 31, 2009, EUR 17,684. The EUR 15,517 million of debt and capital securities outstanding at December 31, 2011, consisted of subordinated loans of EUR 10,017 million and debenture loans of EUR 5,500 million, both specified below :

Interest rate (%)	Year of issue	Due date	Balance sheet value
	(EUR millions)		
9.000	2008	Perpetual	10
8.500	2008	Perpetual	1,527
8.000	2008	Perpetual	1,500
7.375	2007	Perpetual	1,176
6.375	2007	Perpetual	804
5.140	2006	Perpetual	79
5.775	2005	Perpetual	292
6.125	2005	Perpetual	533
4.176	2005	Perpetual	168
Variable	2004	Perpetual	527
6.200	2003	Perpetual	376
Variable	2003	Perpetual	424
7.200	2002	Perpetual	839
7.050	2002	Perpetual	603
Variable	2000	December 31, 2030	1,159
			10,017

Interest rate (%)	Year of issue	Due date	Balance sheet value
	(EUR millions)		
4.125	2011	March 23, 2015	653
5.625	2008	September 3, 2013	1,053
4.699	2007	June 1, 2035	117
4.750	2007	May 31, 2017	1,932

Variable	2006	April 11, 2016	998
4.125	2006	April 11, 2016	747
			5,500

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At December 31, 2011, 2010 and 2009, ING Groep N.V. also owed EUR 2,869 million, EUR 736 million and EUR 800 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. Of the EUR 2,869 million owed by ING Groep N.V. to ING Group companies at December 31, 2011, EUR 0 million was owed to ING Insurance companies, EUR 2,869 million was owed to ING Bank companies and EUR 0 million was owed to direct subsidiaries of ING Group companies, as a result of normal intercompany transactions.

In October 2008 ING issued Core Tier 1 Securities to the Dutch State for a total consideration of EUR 10,000 million. This capital injection qualifies as core Tier 1 capital for regulatory purposes. Such securities were not issued in the years before. In December 2009 ING repurchased EUR 5,000 million of the non-voting equity securities from the Dutch State. On May 13, 2011 ING repurchased of EUR 2 billion in principal of the remaining non-voting equity securities, with the total payment in May 2011 amounting to EUR 3 billion (including a 50)% repayment premium).

At December 31, 2011, 2010 and 2009, ING Groep N.V. had EUR 1,400 million, EUR 72 million and EUR 183 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 3,000 million, EUR 200 million and EUR 350 million in 2011, 2010 and 2009, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. Of the amounts paid to the Company, EUR 0 million, EUR 0 million and EUR 350 million were received from ING Insurance in 2011, 2010 and 2009, respectively; EUR 3,000 million, EUR 200 million and EUR 0 million were received from ING Bank in 2011, 2010 and 2009, respectively. On the other hand, the Company injected EUR 0 million, EUR 1,500 million and EUR 700 million into its direct subsidiaries during the reporting year 2011, 2010 and 2009, respectively. Of the amounts injected by the Company, EUR 0 million, EUR 1,500 million and EUR 550 million were injected into ING Insurance in 2011, 2010 and 2009, respectively; EUR 0 million, EUR 0 million and EUR 150 million were injected into ING Bank in 2011, 2010 and 2009, respectively. ING and its Dutch subsidiaries are subject to legal restrictions on the amount of dividends they can pay to their shareholders. The Dutch Civil Code provides that dividends can only be paid by Dutch companies up to an amount equal to the excess of a company s shareholders equity over the sum of (1) paid-up capital and (2) shareholders reserves required by law. Further, certain of the Group companies are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to ING Groep N.V.

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

On December 12, 2011 ING announced the launch of three separate exchange offers in Europe and tender offers in the United States of America, on a total of seven series of outstanding subordinated securities of ING entities with a total nominal value of approximately EUR 5.8 billion. As of December 23, 2011, all tender and exchange offers announced on December 12, 2011 were successfully completed. For more information see Note 14 of Note 2.1 to the consolidated financial statements.

ING Group Consolidated Cash Flows

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

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

Net cash flow from operating activities amounted to EUR 9,187 million for the year ended December 31, 2011, compared with EUR (4,775) million for the year ended December 31, 2010. This increase was mainly due to amounts due to/from banks and trading assets/liabilities. The cash flow generated through the customer deposits and other funds on deposit and loans and advances was EUR 27,019 million and EUR 21,202 million respectively. The cash flow employed in lending increased from a cash outflow of EUR (16,331) million in 2010 to a cash outflow of EUR (23,713) million in 2011.

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

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

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2011 of EUR 29,300 million, compared with EUR 20,740 million at year-end 2010, an increase of EUR 8,560 million from 2010 levels.

	2011	2010
	(EUR millions)	
Treasury bills and other eligible bills	2,611	4,441
Amounts due from/to banks	(4,505)	3,227
Cash and balances with central banks	31,194	13,072
Cash and cash equivalents at end of year	**29,300**	**20,740**

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

Net cash flow from operating activities amounted to EUR (4,775) million for the year ended December 31, 2010, compared with EUR (27,400) million for the year ended December 31, 2009. This increase was mainly due trading assets/trading liabilities and banks, loans and funds entrusted. The cash flow generated through the customer deposits and other funds on deposit and loans and advances was EUR 21,202 million and EUR 21,073 million respectively, offset by lower banks (amounts due from/to banks not available on demand). The cash flow employed in lending decreased from a cash inflow of EUR 12,208 million in 2009 to a cash outflow of EUR (16,331) million in 2010.

Net cash flow from investment activities in 2010 was EUR (3,349) million, compared to EUR 3,239 million in 2009. The decrease was mainly caused by higher disposals and redemptions of group companies, available-for-sale investments and investments for risk of policyholders.

Net cash flow from financing activities was EUR 7,640 million in 2010, compared to EUR 13,853 million in 2009. The decrease of EUR 6,213 million in net cash flow from financing activities is mainly due to lower repayments/proceeds of borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2010 of EUR 20,740 million, compared with EUR 20,959 million at year-end 2009, a decrease of EUR 219 million from 2009 levels.

	2010	2009
	(EUR millions)	
Treasury bills and other eligible bills	4,441	3,182
Amounts due from/to banks	3,227	2,387
Cash and balances with central banks	13,072	15,390
Cash and cash equivalents at end of year	**20,740**	**20,959**

Capital Adequacy

The debt/equity ratio of ING Group as at year-end 2011 was 12.71% (2010: 13.44%).

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

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

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

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

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

	2011	2010
	(EUR millions)	
BIS capital	47,123	49,145
IGD capital	21,406	20,336
Group leverage (core debt)	(7,917)	(8,462)
Regulatory capital	**60,611**	**61,019**
Required capital banking operations	31,107	29,860
Required capital insurance operations	9,515	8,826
Total required capital	**40,621**	**38,686**
FICO ratio	149%	158%

ING Bank Cash Flows

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

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

At December 31, 2011 and 2010, ING Bank had EUR 26,217 million and EUR 17,188 million, respectively, of cash and cash equivalents. The increase in Cash and Cash Equivalents is mainly attributable to the cash and bank balance positions with Central banks.

Specification of cash position (EUR millions):

	2011	2010
	(EUR millions)	
Cash	28,112	9,519
Short dated government paper	2,611	4,442
Banks on demand	(4,506)	3,227
Cash balance and cash equivalents	**26,217**	**17,188**

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

The cash flow from operating activities was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 30,569 million compared to a cash inflow in 2010 of EUR 21,052 million), cash outflows from Amounts due to and from Banks (EUR 4,523 million compared to a cash outflow in 2010 of EUR 14,164 million) and a cash outflow of loans and advances to customers of EUR 26,392 million (compared to a cash outflow in 2010 of EUR 19,665).

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

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

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The operating, investing and financing activities described above resulted in a positive cash flow of EUR 9,172 in 2011 compared to a negative net cash flow of EUR (1,559) million in 2010.

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

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

Specification of cash position (EUR millions):

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

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

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

Net cash flow for investment activities was EUR 1.303 million cash inflow (2009: EUR 4,819 million cash inflow). Investment in interest-earning securities was EUR 89,614 million and EUR 58,424 million in 2010 and 2009, respectively. Disposals and redemptions of interest-earning securities was EUR 88,333 million and EUR 62,669 million in 2010 and 2009, respectively.

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

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

Capital Adequacy

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

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

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Capital position of ING Bank

	2011	2010	2009
		(EUR millions)	
Shareholders equity (parent)	30,156	31,267	27,480
Difference IFRS-IASB and IFRS-EU	4,211	3,185	2,742
Minority interests	817	748	960
Subordinated loans qualifying as Tier 1 capital (2)	6,850	8,438	8,057
Goodwill and intangibles deductible from Tier 1 (5)	(1,390)	(1,645)	(1,636)
Deductions Tier 1	(1,014)	(1,069)	(1,073)
Revaluation reserve (2)	(1,008)	(1,592)	(2,516)
Available capital Tier 1	**38,622**	**39,332**	**34,015**
Supplementary capital Tier 2(3)	9,516	10,882	11,789
Deductions	(1,014)	(1,069)	(1,073)
BIS capital	**47,124**	**49,145**	**44,731**
Risk-weighted assets	330,421	321,103	332,375
Tier 1 ratio	11.69%	12.25%	10.23%
BIS ratio	14.26%	15.30%	13.46%
Required capital based on Basel I floor (4)	31,107	29,860	28,709
BIS ratio based on Basel I floor (4)	12.12%	13.17%	12.46%

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

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

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

ING Insurance Cash Flows

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

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

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 11,577 million at December 31, 2011 and EUR 8,646 million at December 31, 2010.

	2011	2010
	(EUR millions)	
Cash and bank balances	3,230	4,057
Short term deposits	8,347	4,589
Total	**11,577**	**8,646**

Net cash provided by operating activities was EUR 2,069 million in 2011 and EUR 2,857 million in 2010.

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

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

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

ING Insurance s liquidity requirements are met on both a short- and long-term basis by funds provided from insurance premiums collected, investment income and collected reinsurance receivables, and from the sale and maturity of investments. ING Insurance also has access to commercial paper, medium-term note and other credit facilities. ING Insurance s balance of cash and cash equivalents was EUR 8,646 million at December 31, 2010 and EUR 9,425 million at December 31, 2009.

	2010	2009
	(EUR millions)	
Cash and bank balances	4,057	3,752
Short term deposits	4,589	5,673
Total	**8,646**	**9,425**

Net cash provided by operating activities was EUR 2,857 million in 2010 and EUR 3,876 million in 2009.

Net cash used by ING Insurance in investment activities was EUR (4,466) million in 2010 and EUR (1,590) million in 2009.

Cash provided by ING Insurance s financing activities amounted to EUR 1,140 million and EUR (7,303) million in 2010 and 2009, respectively. The increase was due to Proceeds/repayments of borrowed funds and debt securities.

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

	2011	2010 (1)
	(EUR millions)	
Shareholders equity (parent)	23,475	20,159
Hybrids issued by ING Group (2)	2,604	2,094
Hybrids issued by ING Insurance (3)	1,726	2,207
Required regulatory adjustments	(6,399)	(4,125)
IGD capital	**21,406**	**20,335**
EU required capital base (4)	9,515	8,826
IGD Solvency ratio (4)(5)	225%	230%

(1) In the first quarter of 2011 these numbers have been restated to reflect the move towards fair value accounting for Guaranteed Minimum Withdrawal Benefits for life in the US closed block VA as of January 1, 2011. Further details on the restatement are available in the restated fourth quarter 2010 Historical Trend Document which is available on www.ing.com.

(2) Hybrids issued by ING Group at notional value

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

(4) In the fourth quarter 2011, ING has reviewed the calculation of the IGD ratio to ensure consistent application throughout the Group. As a consequence, several changes have been made, mainly related to (i) certain provisions which are internally reinsured and for which required capitals were netted out in the past and (ii) changes in the allocation of policyholder liabilities to the relevant capital requirement

categories. The numbers for 2010 have been adjusted for this change.

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

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Adjusted Equity

ING calculates certain capital ratios on the basis of adjusted equity . Adjusted equity differs from Shareholders equity in the consolidated balance sheet. The main differences are that adjusted equity excludes unrealized gains and losses on debt securities, goodwill and the cash flow hedge reserve and includes hybrid capital and the Core Tier 1 Securities. Adjusted equity also excludes the difference between IFRS-EU and IFRS-IASB, as capital ratios are based on IFRS-EU as primary accounting basis, which is also the basis for statutory and regulatory reporting. Adjusted equity for 2011, 2010 and 2009 is reconciled to shareholders equity as follows:

	2011	2010 (EUR millions)	2009
Shareholders equity	42,452	37,719	30,901
Difference between IFRS-IASB and IFRS-EU	4,211	3,185	2,742
Core Tier 1 Securities	3,000	5,000	5,000
Group hybrid capital	9,332	12,039	11,478
Revaluation reserves debt securities and other	(4,626)	(3,469)	(1,291)
Adjusted equity	**54,369**	**54,474**	**48,831**

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

Revaluation reserves debt securities and other includes unrealized gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR (650) million in 2011, EUR 330 million in 2010 and EUR 2,325 million in 2009, the cash flow hedge reserve of EUR (1,970) million in 2011, EUR (847) million in 2010 and EUR (372) million in 2009 and capitalized goodwill of EUR (2,006) million in 2011, EUR (2,908) million in 2010 and EUR (3,244) million in 2009.

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

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

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

To the extent our debt/equity ratio (based on adjusted equity) increases or the components thereof change significantly period over period, we believe that rating agencies and regulators would all view this as material information relevant to our financial health and solvency. On the basis of adjusted equity, the debt/equity ratio of ING increased to 12.7% in 2011 from 13.4% in 2010. The debt/equity ratio of ING Group between December 31, 2002 and December 31, 2011 has been in the range of 19.9% to 9.0%. Although rating agencies take many factors into account in the ratings process and any of those factors alone or together with other factors may affect our rating, we believe that an increase of our debt/equity ratio in a significant way, and for an extended period of time, could result in actions from rating agencies including a possible downgrade of the financial strength ratings of our operating subsidiaries. Similarly, although regulatory authorities do not currently set any explicit leverage requirements for ING Group, such an increase of our debt/equity ratio could also likely result in greater scrutiny by regulatory authorities. Over the last year, ING has targeted a 15% debt/equity ratio for ING Group currently, but management aims to reduce the Group debt/equity ratio to 10% in the near term. In addition, ING stated in its Restructuring Plan as presented on October 26, 2009 that in the coming years, as insurance units are divested, ING Groep N.V. wants to reduce its core Debt to zero, thereby eliminating the double leverage. These targets are reviewed at least once a year and approved by the Executive Board. During the yearly review, many factors are taken into account to establish this target, such as rating agency guidance, regulatory guidance, peer review, risk profile and strategic objectives. During the year, the ratio is managed by regular reporting, forecasting and capital management actions. Management has full discretion to change the target ratio if circumstances change.

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Off-Balance-Sheet-Arrangements

See Note 27 of Note 2.1 to the consolidated financial statements.

	Total 2011	Less than one year	More than one year	Total 2010	Less than one year	More than one year
			(EUR millions)			
Insurance operations						
Commitments concerning investments in land and buildings	112	87	25	22	22	
Commitments concerning fixed-interest securities	947	947		1,120	1,115	5
Guarantees	24		24	23		23
Other commitments	766	560	206	872	664	208
Banking operations						
Contingent liabilities in respect of:						
discounted bills	2	2		3	3	
guarantees	25,617	20,301	5,316	21,711	17,159	4,552
irrevocable letters of credit	17,206	16,996	210	15,540	15,317	223
other contingent liabilities	570	562	8	428	419	9
Irrevocable facilities	86,188	56,041	30,147	90,027	59,885	30,142
Total	**131,432**	**95,496**	**35,935**	**129,746**	**94,584**	**35,162**

Contractual obligations

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

Payment due by period	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(EUR millions)		
2011					
Operating lease obligations	1,353	306	435	327	285
Subordinated loans of Group companies	12,148	2,907	1,262	3,227	4,752
Preference shares of Group companies	404				404
Debenture loans	139,861	68,179	29,420	14,853	27,409
Loans contracted	2,287	428	76		1,783
Loans from credit institutions	4,845	4,052	57	56	680
Insurance provisions [(1)]	175,549	11,177	18,702	19,127	126,543
Total	**336,447**	**87,049**	**49,952**	**37,590**	**161,856**
2010					
Operating lease obligations	1,088	199	345	264	280
Subordinated loans of Group companies	13,780	2,647	2,357	1,167	7,609

Preference shares of Group companies	1,121				1,121
Debenture loans	135,604	77,525	23,316	18,205	16,558
Loans contracted	3,740	2,055		73	1,612
Loans from credit institutions	3,650	2,677	59	188	726
Insurance provisions (1)	163,864	11,883	18,291	16,995	116,695
Total	**322,847**	**96,986**	**44,368**	**36,892**	**144,601**

(1) Amounts included in the table reflect best estimates of cash payments to be made to policyholders. Such best estimate cash outflows reflect mortality, retirement, and other appropriate factors, but are undiscounted with respect to interest. As a result, the sum of the cash outflows shown for all years in the table differs from the corresponding liability included in our consolidated financial statements at December 31, 2011. Furthermore, the table does not include insurance or investment contracts for risk of policyholders, as these are products where the policyholder bears the investment risk.

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

Members of the Supervisory Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital. Candidates for appointment to the Supervisory Board must comply with the expertise and reliability requirements set out in the Dutch Financial Supervision Act. Pursuant to current Dutch law, this list is to contain at least two candidates for each vacancy, and if not, the list will be non-binding. With respect to the second candidate, ING Group s policy is to propose (retired) senior managers or other high-ranking officers who, in view of the forthcoming abolition of this requirement, do not have to meet the independency requirements of the Corporate Governance Code or the requirements of the Supervisory Board Profile.

Members of the Supervisory Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Supervisory Board that has not been brought forward by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital.

In connection with the issue of the Securities to the Dutch State, ING Group and the Dutch State agreed that the Dutch State may recommend candidates for appointment to the Supervisory Board in such a way that upon appointment of all recommended candidates by the General Meeting, the Supervisory Board would comprise two State Nominees among its members. The Dutch State may recommend a Supervisory Board member already in office. The recommendation right of the Dutch State is subject to applicable law and to corporate governance practices, generally accepted under stock exchange listing regimes applicable to ING Group and continues as long as the Dutch State holds at least 250 million Securities, or as long as the IABF continues (whichever occurs last). Should the holding of the Dutch State decrease below 250 million Securities and the IABF have expired, the State Nominees will remain in office and complete their term of appointment.

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

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

The Dutch State recommended Lodewijk de Waal and Tineke Bahlmann for appointment to the Supervisory Board, who were both appointed by the General Meeting on April 27, 2009.

Function of the Supervisory Board

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

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

Pursuant to the agreements concerning the transactions with the Dutch State mentioned above, certain resolutions of the Supervisory Board are subject to the condition that no State Nominee voted against the proposal. These rights became effective as from the 2009 annual General Meeting. These resolutions relate to the following matters:

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a. the issue or acquisition of its own shares by ING Group, other than related to the Securities issue (including, for the avoidance of doubt, for the purpose of conversion or financing of a repurchase of Securities), as part of regular hedging operations or in connection with employment schemes;

b. the cooperation by ING Group in the issue of depositary receipts for shares;

c. the application for listing on or removal from the price list of any stock exchange of the securities referred to in a. or b.;

d. the entry into or termination of lasting cooperation between ING Group or a dependent company and another legal entity or partnership or as general partner in a limited partnership or general partnership where such cooperation or termination thereof has material significance for ING Group, i.e. amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

e. the acquisition by ING Group or a dependent company of a participating interest in the capital of another company amounting to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto or a material increase or decrease in the magnitude of such a participating interest;

f. investments involving an amount equal to one-quarter or more of ING Group s issued capital and reserves as disclosed in its balance sheet and notes thereto;

g. a proposal to wind up ING Group;

h. filing of a petition for bankruptcy or moratorium of ING Group;

i. a proposal to reduce the issued capital of ING Group (other than related to the Securities issue);

j. a proposal for merger, split-off or dissolution of ING Group;

k. a proposal to change ING Group s remuneration policy; and

l. appointment of the chief executive officer of the Executive Board.

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the Supervisory Board and ING s wide range of activities that such individuals may become members of the Supervisory Board of ING Group. There is, however, a restriction in that only one in every five other members of the Supervisory Board may be a former member of the Executive Board. In addition, this member must wait at least one year after resigning from the Executive Board before becoming eligible for appointment to the Supervisory Board. Former members of the Executive Board are not eligible for appointment to the position of chairman or vice-chairman of the Supervisory Board.

After being appointed to the Supervisory Board, a former member of the Executive Board may also be appointed to one of the Supervisory Board s committees. However, appointment to the position of chairman of a committee is only possible if the individual in question resigned from the Executive Board at least four years prior to such appointment.

Term of appointment of members of the Supervisory Board

A member of the Supervisory Board retires no later than at the end of the first general meeting held four years after his or her last appointment or reappointment. In accordance with the Corporate Governance Code, members of the Supervisory Board may as a general rule be reappointed for two additional four-year terms. Under special circumstances however, the Supervisory Board may deviate from this general rule, among others in order to maintain a balanced composition of the Supervisory Board and/or to preserve valuable expertise and experience. As a general rule, members of the Supervisory Board shall also resign at the end of the annual general meeting in the year in which they attain the age of 70 and shall not be reappointed. The schedule for resignation by rotation is available on the website of ING Group (www.ing.com).

Ancillary positions /Conflicting interests

Members of the Supervisory Board are asked to provide details on any other directorships, paid positions and ancillary positions they may hold. Such positions may not conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Corporate Governance Committee to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside the Group.

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In accordance with the Corporate Governance Code, members of the Supervisory Board are to disclose material conflicts of interest and potential conflicts of interest and to provide all information relevant thereto. Thereupon the Supervisory Board without the member concerned taking part decides whether a conflict of interest exists. In special circumstances, the Supervisory Board may deviate from this rule and decide that, notwithstanding the fact that the matter would entail a conflict of interest according to the Corporate Governance Code, a conflict of interest does not exist. This concerns in particular situations in which the conflict of interest is based on a marriage that exists no longer, to allow for situations where there is no material family relation. In case of a conflict of interest, the relevant member of the Supervisory Board, as the Corporate Governance Code recommends, abstains from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Supervisory Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that disclosure could damage the competitive position of ING Group.

Significant conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, with the exception of any loans that may have been granted.

Independence

Annually, the members of the Supervisory Board are requested to assess whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, with the exception of Luc Vandewalle, are to be regarded as independent on December 31, 2011. Luc Vandewalle is not to be regarded as independent because of his former position at ING Belgium. Members of the Supervisory Board to whom the independence criteria of the Corporate Governance Code do not apply, and members of the Supervisory Board to whom the criteria do apply but who can explain why this does not undermine their independence, are deemed to be independent.

Company secretary

ING Group s company secretary is Jan-Willem Vink, general counsel of ING Group.

Committees of the Supervisory Board

On December 31, 2011, the Supervisory Board had five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee.

The organization, powers and conduct of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the five Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Group, ING Verzekeringen N.V. and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING s internal and external auditors. On December 31, 2011, the members of the Audit Committee were: Joost Kuiper (chairman), Tineke Bahlmann, Henk Breukink, Aman Mehta and Luc Vandewalle.

The Supervisory Board has determined that Sjoerd van Keulen, Joost Kuiper and Aman Mehta are financial experts as referred to in the Corporate Governance Code. Joost Kuiper and Aman Mehta were appointed to the Audit Committee per May 9, 2011 and February 14, 2011, respectively. Sjoerd van Keulen was appointed to the Risk Committee per May 9, 2011.

Sjoerd van Keulen and Joost Kuiper are considered by the Supervisory Board as financial experts due to their broad experience in the banking and insurance business and the Dutch financial sector while Aman Mehta has gathered his experience by serving as chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING as a whole as well as the structure and operation of the internal risk management and control systems. On December 31, 2011, the members of the Risk Committee were: Piet Klaver (chairman), Tineke Bahlmann, Sjoerd van Keulen, Joost Kuiper, Luc Vandewalle and Jeroen van der Veer.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING and its subsidiaries are based. On December 31, 2011, the members of the Remuneration Committee were: Peter Elverding (chairman), Sjoerd van Keulen, Piet Klaver, Jeroen van der Veer and Lodewijk de Waal.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board. On December 31, 2011, the members of the Nomination Committee were: Jeroen van der Veer (chairman), Peter Elverding, Sjoerd van Keulen, Piet Klaver and Lodewijk de Waal. The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the General Meeting and advises the Supervisory Board on improvements. On December 31, 2011, the members of the Corporate Governance Committee were: Henk Breukink (chairman), Aman Mehta, Jeroen van der Veer and Lodewijk de Waal.

The current composition of the Supervisory Board Committees can be found on the Company s website (www.ing.com), which is updated on a regular basis.

Remuneration and share ownership

The remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Members of the Supervisory Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Supervisory Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

Jeroen van der Veer (chairman)

(*Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2013*)

Former chief executive officer of Royal Dutch Shell plc. Other business activities: non-executive director of Royal Dutch Shell plc and chairman of the Supervisory Board of Koninklijke Philips Electronics N.V. (listed companies). Member of the Supervisory Board of Het Concertgebouw N.V. Chairman of Platform Bètatechniek. Chairman of the Supervisory Council of Nederlands Openluchtmuseum. Member of the Board of Nationale Toneel (theatre).

Peter A.F.W. Elverding (vice-chairman)

(*Born 1948, Dutch nationality, male; appointed in 2007, term expires in 2015*)

Former chairman of the Managing Board of Directors of Koninklijke DSM N.V. Former vice-chairman of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch Central Bank). Other business activities: chairman of the Supervisory Board of Océ N.V. and chairman of the Supervisory Board of Koninklijke BAM Groep N.V. (listed companies). Vice-chairman of the Supervisory Board of SHV Holdings N.V. Chairman of the Supervisory Board of Q-Park N.V. Member of the Supervisory Board of Koninklijke FrieslandCampina N.V. Member of the Board of Stichting Instituut GAK.

J.P. (Tineke) Bahlmann

(*Born 1950, Dutch nationality, female; appointed in 2009, term expires in 2013*)

Professor in Business Administration, University of Utrecht. Chairman of the Dutch Media Authority. Other business activities: vice-chairman of the Supervisory Board of N.V. Nederlandsche Apparatenfabriek Nedap (listed company). Member of the Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR). Chairman of Stichting Max Havelaar. Member of the Board of De Baak Management Centre

VNO-NCW. Member of the Board of Toneelgroep Amsterdam (theatre).

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Henk W. Breukink

(*Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2015*)

Former managing director of F&C and country head for F&C Netherlands (asset management firm). Other business activities: member of the Supervisory Board of NSI N.V. (real estate fund) and non-executive director of F&C Sapphire hedge fund, Ireland (listed companies). Non-executive director of Brink Groep BV. Non-executive chairman of Heembouw Holding B.V. Chairman of the Supervisory Board of Omring (health care institution). Member of the Supervisory Board of HaagWonen (housing corporation). Chairman of the Supervisory Board of Inholland University.

Sjoerd van Keulen

(*Born 1946, Dutch nationality, male; appointed in 2011, term expires in 2015*)

Former chairman of the Executive Board of SNS Reaal N.V. Chairman of Holland Financial Centre. Other business activities: member of the Supervisory Board of Heijmans N.V. and chairman of the Supervisory Board of Mediq N.V. (listed companies). Member of the Supervisory Board of APG Groep N.V. and Vado Beheer B.V. Member of the Supervisory Committee of World Wildlife Fund. Chairman of the Board of Investment Fund for Health in Africa. Member of the Supervisory Board of Stichting PharmAccess International. Chairman of the Supervisory Board of Access to Medicine Foundation. Board member of Stichting Health Insurance Fund.

Piet C. Klaver

(*Born 1945, Dutch nationality, male; appointed in 2006, term expires in 2014*)

Former chairman of the Executive Board of SHV Holdings N.V. Other business activities: chairman of the Supervisory Board of PostNL N.V. (listed company). Chairman of the Supervisory Board of each of Koninklijke Dekker B.V., Credit Yard Group B.V., Dura Vermeer Groep N.V. and Blokker Holding B.V. Vice-chairman of the

Supervisory Board of SHV Holdings N.V. Member of the Board of the African Parks Foundation.

Joost CH.L. Kuiper

(*Born 1947, Dutch nationality; male; appointed in 2011, term expires in 2015*)

Former member of the Executive Board of ABN AMRO Bank N.V. Other business activities: Chairman of the Supervisory Board of IMC B.V. Member of the Supervisory Board of each of Hespri Holding B.V., AutoBinck Holding N.V. and Nexus Institute. Board member of each of Stichting voor Ooglijders, Prins Bernhard Cultuurfonds and Stichting Democratie en Media. Treasurer of Mondriaan Stichting.

Aman Mehta

(*Born 1946, Indian nationality, male; appointed in 2008, term expires in 2012*)

Former chief executive officer of Hong Kong & Shanghai Banking Corporation (HSBC) in Hong Kong. Other business activities: non-executive director of each of Tata Consultancy Services, Jet Airways Ltd., PCCW Ltd., Vedanta Resources Plc, Wockhardt Ltd., Godrej Consumer Products Ltd., Cairn India Ltd. and Max India Ltd. Member of the governing board of Indian School of Business.

Luc A.C.P. Vandewalle

(*Born 1944, Belgian nationality, male; appointed in 2011, term expires in 2014*)

Former chairman and non-executive member of ING Belgium NV/SA. Other business activities: Chairman of the Supervisory Board of each of Bakker Hillegom B.V., Domo Real Estate, Matexi Groep, Plu Holding and Transics

International. Member of the Supervisory Board of each of Allia Insurance Brokers, Arseus, Besix Groep, Galloo, Masureel Veredeling, Sea-Invest, Sioen Industries, Vergroup, Veritas and Willy Naessens Industriebouw.

Lodewijk J. de Waal

(*Born 1950, Dutch nationality, male; appointed in 2009, term expires in 2013*)

Former general manager of Humanitas. Other business activities: member of the Supervisory Board of PGGM N.V. Member of the Advisory Board of Zorgverzekeraars Nederland. Chairman of the Advisory Board of Stichting Nationaal Fonds Kunstbezit. Member of the Netherlands National Contact Point (NCP) of the Organisation for Economic Co-operation and Development (OECD). Chairman of the Supervisory Council of Museum Volkenkunde. Chairman of the Platform Slim Werken Slim Reizen . Member of the Toetsingscommissie Beloningen Woningcorporaties.

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Changes in the composition

Jackson Tai, Godfried van der Lugt and Joan Spero resigned from the Supervisory Board as of January 6, 2011, January 24, 2011 and June 1, 2011 respectively. Claus Dieter Hoffmann retired at the end of the 2011 annual General Meeting. The current term of appointment of Aman Mehta will expire at the end of the 2012 annual General Meeting. At this meeting, Aman Mehta will be nominated for reappointment. In addition, the Supervisory Board has nominated three candidates for appointment: Yvonne van Rooy (born 1951, Dutch nationality, female), Jan Holsboer (born 1946, Dutch nationality, male) and Robert Reibestein (born 1956, Dutch nationality, male). The proposed appointments have been approved by the Dutch Central Bank (De Nederlandsche Bank N.V., DNB). More information can be found in the convocation for the 2012 annual General Meeting, available on the website of ING Group (www.ing.com).

EXECUTIVE BOARD

Appointment and dismissal

Members of the Executive Board are appointed by the General Meeting from a binding list to be drawn up by the Supervisory Board. The list will be rendered non-binding if a resolution of the General Meeting to that effect is adopted by an absolute majority of the votes cast which majority represents more than one-third of the issued share capital. Candidates for appointment to the Executive Board must comply with the expertise and reliability

requirements set out in the Dutch Financial Supervision Act. Pursuant to current Dutch law, this list is to mention at least two candidates for each vacancy, and if not, the list will be non-binding. With respect to the second candidate, ING Group s policy is to propose (retired) senior managers or other high ranking officers who, in view of the forthcoming abolition of this requirement, do not have to meet the requirements of the Executive Board Profile. Members of the Executive Board may be suspended or dismissed at any time by a majority resolution of the General Meeting. A resolution to suspend or dismiss members of the Executive Board that has not been brought forward by the Supervisory Board may only be adopted by the General Meeting by an absolute majority of the votes cast, which majority represents more than one-third of the issued share capital.

Function of the Executive Board

The Executive Board is charged with the management of ING Group, which means, among other things, that it is responsible for the setting and achieving of the company s objectives, strategy and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group. The Executive Board is accountable for the performance of these duties to the Supervisory Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter, which was approved by the Supervisory Board. The Executive Board Charter is available on the website of ING Group (www.ing.com).

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. It is available on the website of ING Group (www.ing.com) and at the ING Group head office.

Remuneration and share ownership

Members of the Executive Board are permitted to hold shares and depositary receipts for shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares and these depositary receipts for shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing. com).

Ancillary positions/Conflicting interests

No member of the Executive Board has corporate directorships at listed companies outside ING. This is in accordance with ING Group s policy to avoid conflicts of interest.

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Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicting interests will be disclosed in the Annual Report. In deviation of the Corporate Governance Code however, this does not apply if (i) disclosure would be against the law; (ii) the confidential, share-price sensitive or competition-sensitive character of the transaction prevents disclosure; and/or (iii) the information is so competition-sensitive that the disclosure could damage the competitive position of ING Group. Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the foregoing, loans does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

INFORMATION ON MEMBERS OF THE EXECUTIVE BOARD

Jan H.M. Hommen, chief executive officer

(*Born 1943, Dutch nationality, male; appointed in 2009, term expires in 2013*)

Jan Hommen graduated with a master s degree in Business Economics from Tilburg University. He was appointed a member of the Executive Board on April 27, 2009. He is also CEO of ING Bank N.V. and CEO of ING Verzekeringen N.V. Jan Hommen was a member of the Supervisory Board of ING Group as of June 1, 2005 and became chairman of the Supervisory Board of ING Group in January 2008. Until May 1, 2005, he was vice-chairman and chief financial officer of Koninklijke Philips Electronics N.V. From 1975 to 1997, he worked for Alcoa Inc. From 1978, he worked at the Alcoa head office in the US, becoming chief financial officer in 1991. Jan Hommen is a member of the board of Royal Concertgebouw Orchestra. Eight Group staff departments report directly to Jan Hommen: Investor Relations, Corporate Legal Department, Corporate Human Resources, Corporate Development, Corporate Communications & Affairs, Public & Government Affairs, Sustainability and Corporate Audit Services.

Patrick G. Flynn, chief financial officer

(*Born 1960, Irish nationality, male; appointed in 2009, term expires in 2013*)

Patrick Flynn is a Chartered Accountant and a member of the Association of Corporate Treasurers in the UK. He also holds a bachelor s degree in Business Studies from Trinity College Dublin. He was appointed a member of the Executive Board of ING Group on April 27, 2009. From 2007 to 2009, he was the chief financial officer of HSBC Insurance Holdings Ltd. Patrick Flynn is responsible for ING s finance departments.

Changes in the composition

Koos Timmermans was appointed vice-chairman of the Management Board Banking as of October 1, 2011. Considering his new role, he stepped down as chief risk officer and member of the Executive Board of ING Group as per the same date. The Supervisory Board intends to propose that Wilfred F. Nagel (born 1956, Dutch nationality, male) be appointed as a member of the Executive Board and chief risk officer of ING Group at the annual General Meeting on May 14, 2012. From October 1, 2011 until the appointment of Wilfred Nagel, Patrick Flynn has assumed the responsibility for Risk at ING Group level.

REMUNERATION REPORT

This section sets out the remuneration for the Executive Board and the Supervisory Board. The remuneration policy for the Executive Board was adopted by the annual General Meeting (AGM) on April 27, 2010; adjustments to the remuneration policy in line with new regulatory developments were adopted by the AGM on May 9, 2011. In addition, the Remuneration report provides information on the remuneration paid for 2011. Furthermore, information is included on loans and advances to the Executive Board and Supervisory Board members as well as ING depositary receipts for shares held by members of both Boards.

REMUNERATION POLICY

The primary objective of the remuneration structure is to enable ING to retain and recruit qualified and expert leaders, senior staff and other highly qualified employees, who have a drive for excellence in serving the interests of the Company s various stakeholders. ING endeavours to match compensation of the Company s leadership appropriately against a variety of factors, such as the complexity of functions, the scope of

responsibilities, the alignment of risks and rewards, and the long-term objectives of the Company and its stakeholders, which is all the more important given the changing international standards regarding responsible remuneration. These factors differ for each role, line of business and country. This is especially the case for ING with its operations in over 40 countries and over 97,000 employees of whom around 71,000 are based outside the Netherlands (over 54% of senior management is non-Dutch). As much as possible for a global financial institution of this size, ING aims to take account of all these differences and also of the standards applied within similar financial institutions in the various countries in which it operates.

REMUNERATION POLICY FOR THE EXECUTIVE BOARD ADOPTED IN 2010

According to the remuneration policy of the Executive Board as adopted by the AGM on April 27, 2010 and amended by the AGM on May 9, 2011, remuneration of Executive Board members consists of a combination of fixed remuneration (base salary) and variable remuneration (together total direct compensation), pension arrangements and benefits as described below.

Total direct compensation: moderation and reduced emphasis on variable remuneration

Total direct compensation levels are based on market data that include peers both inside and outside the financial sector in the international context in which ING operates. Total direct compensation is benchmarked against a peer group of companies that, in the opinion of the Supervisory Board, are comparable with ING in terms of size and scope. In line with the foregoing, the Supervisory Board has determined that the peer group consists of the companies in the Dow Jones EURO STOXX 50 index. These are 50 companies, in a range of financial and non-financial industries, which are based in countries within the Economic and Monetary Union of the European Union. In accordance with the Dutch Banking Code, ING s new remuneration policy for the Executive Board aims for total direct compensation levels slightly below market median levels for comparable positions in the relevant markets. In addition, the remuneration policy provides for a balanced mix between fixed and variable remuneration. Variable remuneration will not exceed 100% of fixed salary at the time of allocation. Fixed remuneration (i.e. the base salary levels) will be determined in line with the relevant market environment as an integral part of total direct compensation, and will be reviewed from time to time by the Supervisory Board. The policy provides for an at target variable remuneration of 40% in cash and 40% in stock (in total 80%) of base salary if performance criteria are met. If performance criteria (as predetermined by the Supervisory Board) are exceeded, the variable component can be increased from target to maximum, not exceeding 100% of base salary at the time of allocation.

Increased emphasis on long-term value creation

The remuneration policy for the Executive Board combines the short and long-term variable components into one structure. This structure intends to support both long-term value creation and short-term company objectives. The emphasis on long-term performance indicators within the variable component of the compensation package is increased by means of deferral, reasonableness test and claw back mechanisms. The allocation of variable remuneration is conditional on the achievement of a number of performance objectives. The short-term component, at maximum 40% of total variable remuneration, is equally divided between cash and stock and awarded in the year following the performance year. The other 60% of the total variable remuneration is deferred and also equally divided between cash and stock. This long-term component is intended to serve the objective of retaining the members of the Executive Board for a longer period of time. The value of the stock award is set such that total variable remuneration at the time that the maximum number of shares to be granted is determined stays within the 100% limit. The long-term component, consisting of two equal portions of cash and stock, will be subject to a tiered vesting on the first, second and third anniversary of the grant date (one-third per annum). The entire long-term component is subject to an ex-post assessment by the Supervisory Board. The ex-post assessment cannot lead to an upward adjustment of the value of the cash deferred portion or the number of deferred shares. Executive Board members are not allowed to sell depositary receipts obtained within a period of five years from the grant date. However, they are allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested share award.

Increased focus on risk and non-financial performance

Variable remuneration is linked to risk and non-financial performance and will take into consideration both individual and company performance criteria. Performance measurement will account for estimated risks and costs of capital. In addition to financial indicators, performance will also be assessed based on non-financial drivers, by means of a number of targets regarding economic, environmental, customer satisfaction and social criteria.

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Pensions Executive Board members

Members of the Executive Board, who are employed on the basis of a Dutch employment contract, will participate in the defined contribution pension plans introduced in 2010 as part of the remuneration policy. Individual Board members participating in the pension plan that existed before the introduction of the 2010 plans were given the choice to keep their existing pension arrangement. This existing pension arrangement, approved by the 2006 AGM, is based on a defined contribution plan. Alternatively, they can switch to the 2010 arrangements. Members of the Executive Board will be required to pay a contribution to their pension premium in line with the contributions under ING s Collective Labour Agreement in the Netherlands. Members of the Executive Board working on a non-Dutch employment contract will be offered pensions in line with local practices.

Benefits

Executive Board members will continue to be eligible for a range of additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances). Executive Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that apply to most other comparable employees of ING. In addition, tax and financial planning services will be provided to ensure compliance with the relevant legislative requirements.

Tenure

The contract of employment for Executive Board members provides for an appointment for a period of four years and allows for reappointment by the General Meeting. In the case of an involuntary exit, Executive Board members are eligible for an exit-arrangement limited to one-year base salary.

OTHER ITEMS FOR SUPERVISORY BOARD DISCRETION

Claw back and adjustments

The Supervisory Board has the authority to reclaim variable remuneration allocated to a member of the Executive Board based on inaccurate data and/or behavior that led to significant harm to the company. The Supervisory Board also has the authority to adjust variable remuneration if application of the predetermined performance criteria results in undesired outcomes. Accordingly, the Supervisory Board has decision authority in situations not addressed in the policy.

Special employment conditions

Special employment conditions, such as commitments made to secure the recruitment of new executives, may be used in exceptional circumstances subject to strict control by the Supervisory Board.

Supervisory Board discretion to review the policy and the remuneration paid

ING as a company is expected to undergo significant changes during the coming years. Moreover, the relevant international employment market is very much in flux. In order to ensure that ING can adapt to these two uncertain factors, the Supervisory Board indicated in 2010 and 2011 that it may re-evaluate in 2012, whether the remuneration policy adopted in 2010 and amended on May 9, 2011, is in line with the long-term objectives of the Company, the relevant international context, as well as the societal perception of ING as a company. As the internal restructuring is ongoing and the regulatory environment continues to be in flux, the Supervisory Board may re-evaluate at a later stage. Should it become clear, after such evaluation, that the new remuneration policy has led to an unintended or inequitable outcome, the Supervisory Board will have the discretion to correct the previously allocated variable remuneration. However, it is understood that any such correction could not lead to a deviation from the requirement that variable remuneration cannot exceed 100% of base salary during any year, as required under the Dutch Banking Code or be in violation of the Capital Requirements Directive III. The remuneration policy is leading in the international financial markets in terms of moderation of pay. The Supervisory Board and the Executive Board also have an obligation to safeguard the continuity of the Company. The Supervisory Board will therefore evaluate from time to time how these two responsibilities relate to each other. If and when appropriate, it can make adjustments.

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2011 REMUNERATION

Ongoing public debate regarding remuneration

Remuneration at ING is a topic of heated debate, particularly in the Netherlands. In 2011, following public discussion in the Netherlands after the Remuneration Committee had awarded the Executive Board of ING Group variable remuneration in relation to their 2010 performance, the members of the Executive Board decided not to accept this variable portion of their total direct compensation. Furthermore, they announced not to accept the proposed 2011 salary increase and variable remuneration until the Core Tier 1 Securities that were issued to the Dutch State have been fully repaid even though the proposed salary increase and variable remuneration were in line with the remuneration policy as approved by the AGM in 2010. The Supervisory Board regrets that it underestimated the signal that was sent to Dutch society by awarding the Executive Board variable remuneration and is keen on ensuring that remuneration at ING does not become the subject of public debate again. However, while the gesture made by the Executive Board members was appreciated by the public and the Supervisory Board, this does not solve the ongoing dilemmas faced by the Supervisory Board in general and the Remuneration Committee in particular. It is the Remuneration Committee s responsibility to take the interests of all stakeholders, including shareholders and the global employee population into account, as well as business continuity when overseeing a company-wide remuneration policy and executing the Executive Board remuneration policy.

2011 REMUNERATION EXECUTIVE BOARD

The Executive Board remuneration for 2011 is based on the remuneration policy approved by the 2010 AGM and amended by the 2011 AGM.

2011 base salary Executive Board

The base salary of all Executive Board members was set at the time of the introduction of the remuneration policy in 2010 and the Executive Board decided not to accept a base salary increase in 2011 as ING had not completely repaid all outstanding Core Tier 1 Securities that were issued to the Dutch State. As a consequence the base salary level remained at the 2010 level.

2011 variable remuneration Executive Board

In 2011 the Executive Board decided that it will not accept variable remuneration for as long as ING has not completely repaid all outstanding Core Tier 1 Securities that were issued to the Dutch State. As the repayment did not occur during 2011, the Executive Board did not receive any variable remuneration in relation to performance year 2011. It is noted that the total direct compensation levels of the Executive Board, even if variable remuneration had been accepted by the Executive Board, continue to be significantly below the market median. The fact that the Executive Board has only accepted base salary in 2011 (and not variable remuneration) makes the current gap between the market median and ING even more significant.

Compensation of the individual members of the Executive Board

(EUR thousands)		**2011** (1)		**2010**		**2009**
	amount	number of shares	amount	number of options/shares	amount	number of options/shares
Jan Hommen						
Base salary (2)	1,353		1,353		923	
Variable remuneration in cash	0	0	0	0	0	0
Variable remuneration in stock	0	0	0	0	0	0
Patrick Flynn (3)						
Base salary	750		750		454	
Variable remuneration in cash	0	0	0	0	0	0
Variable remuneration in stock	0	0	0	0	0	0
Koos Timmermans (4)						
Base salary	563		750		665	
Variable remuneration in cash	0	0	0	0	0	0
Variable remuneration in stock	0	0	0	0	0	0

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(1) It is noted that while the 2010 Annual Report indicated that the Board members would receive a salary increase and variable remuneration, they decided to forego the proposed increase in 2011 as well as the variable remuneration in relation to performance year 2010. The above table outlines the actual situation.
(2) Jan Hommen was appointed to the Executive Board on April 27, 2009. Jan Hommen has been remunerated as of April 27, 2009 in accordance with the new remuneration policy adopted by the AGM in 2010. The figure for 2009 reflects a partial year as an Executive Board member and was paid in 2010 after the new remuneration policy was adopted.
(3) Patrick Flynn was appointed to the Executive Board on April 27, 2009. The figures for this member reflect remuneration earned in the capacity as Executive Board member. Thus, the figure for 2009 reflects a partial year as an Executive Board member.
(4) Koos Timmermans stepped down from the Executive Board as per October 1, 2011. The figures for this member reflect remuneration earned in the capacity as Executive Board member. Thus, the figure for 2011 reflects a partial year as an Executive Board member.

Remuneration of former members of the Executive Board amounted to nil for 2011, nil for 2010 and EUR 2,842,000 for 2009.

Pension costs

The table below shows the pension costs of the individual members of the Executive Board

(EUR thousands)	**2011**	**2010**	**2009**
Jan Hommen (1)	0	0	0
Patrick Flynn (2)	180	134	78
Koos Timmermans (3)	135	158	115

(1) Jan Hommen does not participate in the pension plan.
(2) Patrick Flynn was appointed to the Executive Board on April 27, 2009. The 2009 pension costs for this member reflect the partial year as an Executive Board member.
(3) Koos Timmermans stepped down from the Executive Board as per October 1, 2011. The 2011 pension costs for this member reflect the partial year as an Executive Board member.

Pension costs of former members of the Executive Board amounted to nil for 2011, nil for 2010 and EUR 742,000 for 2009.

Long-term incentives awarded in previous years

The long-term incentive plan (LTIP) at ING in place until 2010 includes both stock options and performance shares. The ING stock options have a total term of ten years and a vesting period of three years after which they can be exercised for the remaining seven years.

Information on the options outstanding and the movements during the financial year of options held by the members of the Executive Board as at December 31 , 2011 (1)

number of options	Outstanding as at December 31, 2010	**Granted in 2011**	**Exercised in 2011**	**Waived or expired in 2011(2)**	**Outstanding as at December 31, 2011**	Exercise price in euros	Vesting date	Expiry date
Jan Hommen		0	0	0	0			
Patrick Flynn		0	0	0	0			
Koos Timmermans (3)	13,674	0	0	0	13,674	22.57	Mar 11, 2005	Mar 11, 2012
	7,814	0	0	0	7,814	14.37	Mar 15, 2007	Mar 15, 2014
	11,460	0	0	0	11,460	17.88	Mar 30, 2008	Mar 30, 2015
	8,504	0	0	0	8,504	25.16	Mar 23, 2009	Mar 23, 2016

	46,157	0	0	0	46,157	24.72	Mar 22, 2010	Mar 22, 2017
	56,405	0	0	0	56,405	19.53	May 15, 2011	May 15, 2018
	20,675	0	0	0	20,675	14.36	Sept. 17, 2011	Sept. 17, 2018

(1) The number of options and the strike prices of these options reflect the number and strike prices adjusted for the effects of the rights issue of December 2009.

(2) Waived at vesting date or expired at expiry date.

(3) Koos Timmermans stepped down from the Executive Board as per October 1, 2011; the table above shows all options outstanding as at December 31, 2011.

Performance shares were conditionally granted. The number of ING depositary receipts that would ultimately be granted at the end of a three-year performance period depended on ING s Total Shareholder Return (TSR)

performance over three years (return in the form of capital gains and reinvested dividends that shareholders received in that period) relative to the TSR performance of a predefined peer group.

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ING s TSR ranking within this group of companies determines the final number of performance shares that vest at the end of the three year performance period. The performance shares granted in 2008 had a three-year performance period of 2008-2010 and vested in 2011. The actual results of 57% are based upon ING s TSR ranking of 14th within the designated peer group. The results were determined by an independent third party. ING s external auditor has reviewed the calculations performed.

For Koos Timmermans, a number of 10,411 performance shares vested in 2011 (57% of the 18,266 shares awarded). The value at vesting amounted to EUR 79,139. The number of performance shares reflects the number adjusted for the effects of the rights issue of December 2009.

Patrick Flynn received a conditional grant of restricted stock in 2009 to a maximum of 130,230 shares. The cumulative value of the conditional share award is capped at EUR 1.3 million. The first vesting in the amount of 39,069 shares occurred at the 2010 AGM. The value at vesting amounted to EUR 288,329. A second vesting of 39,069 shares occurred at the 2011 AGM, the value at vesting amounted to EUR 347,323, and the remaining 52,092 shares will vest at the 2012 AGM, subject to satisfactory performance and the aforementioned cumulative value cap of EUR 1.3 million. The number of shares reflects the number adjusted for the effects of the rights issue of December 2009.

The Executive Board members are not allowed to sell depositary receipts obtained within a period of five years from the grant date. They are only allowed to sell part of their depositary receipts at the date of vesting to pay tax over the vested performance-share award. Depositary receipts obtained from exercised stock options may only be sold within a period of five years from the grant date of the options to pay tax over the exercised award.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on December 31, 2011, 2010 and 2009. These loans were concluded in the normal course of business and on terms generally applicable to comparable Company personnel and were approved by the Supervisory Board.

(amounts in EUR thousands)	Amount outstan-ding	Average Interest rate	Repay-ments	Amount outstan-ding	Average Interest rate	Repay-ments	Amount outstan-ding	Average Interest rate	Repay-ments
	December 31, 2011			December 31, 2010			December 31, 2009		
Jan Hommen	1,588	3.4%		1,588	3.4%				
Koos Timmermans (1)	380	4.6%		380	4.6%		380	4.6%	

(1) Koos Timmermans stepped down from the Executive Board as per October 1, 2011; the table above shows all loans and advances outstanding at December 31, 2011.

ING depositary receipts for shares held by Executive Board members

Executive Board members are permitted to hold ING depositary receipts for shares as a long-term investment. The table below shows the holdings by members of the Executive Board.

	Number of (depositary receipts for) shares		
	2011	2010	2009
Jan Hommen	76,426	76,426	46,426
Patrick Flynn	51,339	25,793	
Koos Timmermans (1)	21,635	16,504	14,457

(1) Koos Timmermans stepped down from the Executive Board as per October 1, 2011; the table above shows ING depositary receipts held by Koos Timmermans at December 31, 2011.

2012 REMUNERATION STRUCTURE EXECUTIVE BOARD

2012 base salary Executive Board

In line with the Executive Board decision not to accept a base salary increase in 2011 as the repayment of Core Tier 1 Securities that were issued to the Dutch State has not been completed, the Supervisory Board does not propose a base salary increase with respect to the performance year 2012.

2012 variable remuneration Executive Board

The payment of variable remuneration to the Executive Board will be suspended for as long as the repayment of all outstanding Core Tier 1 Securities that were issued to the Dutch State has not been completed.

Executive compensation legislation

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

REMUNERATION POLICY FOR SENIOR MANAGEMENT

As much as possible for a global financial institution of this size, ING aims to take account of all the differences and standards applied within similar financial institutions in the various countries in which it operates. The remuneration of members of the Management Boards and senior management will be in line with the general principles of the amended remuneration structure for the Executive Board, taking into account international and local practices.

Total direct compensation

Total direct compensation levels will be based on benchmark data in the international context in which ING operates. ING aims for compensation levels to be set at market median levels. Total compensation levels will be determined in line with the relevant market.

Focus on long term value creation, risk and non-financial performance

Variable remuneration is linked to long-term value creation and risk. It is determined based on individual, business and company performance criteria. Performance measurement will increasingly account for estimated risks and costs of capital. There will be increased emphasis on long term value creation by means of long-term incentives, deferral and claw back mechanisms. Furthermore, and in addition to financial indicators, performance is also assessed based on non-financial drivers. The incorporation of non-financial indicators in the overall assessment is particularly aimed at further improving sustainable business practices within ING. Therefore, a number of action targets have been formulated regarding ING s performance in the area of, for example, workforce diversity, customer satisfaction, stakeholder engagement and sustainable business practices.

2012 REMUNERATION STRUCTURE SENIOR MANAGEMENT

Given the differences in the regulatory requirements for banking and insurance and the separation of ING s banking and insurance activities, the remuneration structures for senior management in ING s banking and insurance operations were determined separately in 2011 based on internal strategy and external regulatory developments.

The remuneration policy for the Executive Board, which permits a combination of fixed remuneration (base salary) and variable remuneration (together total direct compensation) pension arrangements and benefits will apply in full to members of the Management Board Banking. For senior management in Banking, a gradual shift to a more balanced mix of fixed and variable remuneration, in line with the remuneration policy for the Executive Board, was initiated in 2010 and will continue during the coming year. Exceptions may exist for high value specialists and senior management working in certain divisions and/or geographical areas. In addition, the remuneration policy for senior management has been amended in line with the requirements as set out in the Capital Requirements Directive III.

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For the Management Board Eurasia and senior management in ING s Eurasia insurance operations, remuneration is in line with the general principles of the new remuneration policy for the Executive Board and the requirements under the Capital Requirements Directive III.

The remuneration for a select group of Bank and Insurance Eurasia employees has been reviewed and amended as necessary in order to comply with the Capital Requirements Directive III. The amendments relate to the allocation of variable remuneration and the ratio between fixed and variable remuneration and are intended to mitigate risk relating to remuneration. Measures include an ex-ante and ex-post assessment of variable remuneration prior to awarding and vesting respectively, significant deferral of variable remuneration, an equal divide between variable remuneration in cash and in shares, as well as retention periods on all equity remuneration as soon as it becomes unconditional.

Moreover, in light of the Capital Requirements Directive III compensation packages related to control functions (such as risk management functions) are structured so that they provide for a reduced emphasis on variable remuneration. To ensure the autonomy of the individual, financial performance metrics are dependent on objectives determined at the divisional level (i.e. not at the level of the relevant business unit). In addition, performance assessments are not only determined by business unit management, but also by the functional line. By making the above changes, ING has taken an important step to further align its compensation philosophy and structure with its risk profile. The current structure will in most cases lead to a decrease in the cash component of variable remuneration and a decrease in the ratio between fixed and variable remuneration.

For the Insurance US operations the changes in the mix between fixed salary and variable remuneration as well as the allocation of variable remuneration will need to be weighted in light of the different regulatory requirements within the US insurance industry and the intended separation of these activities from ING.

The regulatory environment governing remuneration is still in development. The structure as set out above is based on information currently available. Should it become clear, after everything has been clarified, that adjustments are necessary, ING will amend the structure as deemed appropriate.

REMUNERATION SUPERVISORY BOARD

The annual remuneration of the Supervisory Board members as adopted by the General Meetings in 2006 and 2008 amounts to: chairman EUR 75,000, vice-chairman EUR 65,000, other members EUR 45,000. In addition to the remuneration each member receives an expense allowance. For the chairman and vice-chairman the annual amount is EUR 6,810. For the other members the amount is EUR 2,270.

The remuneration for the membership of committees is as follows: chairman of the Audit Committee EUR 8,000, members of the Audit Committee EUR 6,000, chairmen of other Supervisory Board committees EUR 7,500 and members of other Supervisory Board committees EUR 5,000. In addition to the fixed remuneration, committee members receive a fee for each meeting they attend. For the Audit Committee chairman this fee is EUR 2,000 per meeting and for its members EUR 1,500. For the chairman and members of other committees the attendance fee amounts to EUR 450 per meeting.

Supervisory Board members receive an additional fee of EUR 2,000 per attended Supervisory Board or Committee meeting in the event the meeting is held outside the country of residence of the Supervisory Board member, or an additional amount of EUR 7,500 per attended Supervisory Board or Committee meeting if intercontinental travel is required for attending the meeting.

2011 remuneration Supervisory Board

In 2009 and 2010 the chairman and vice-chairman of the Supervisory Board did not receive remuneration and attendance fees associated with committee membership. As announced in the 2010 Annual Report effective 2011, the chairman and vice-chairman of the Supervisory Board did receive compensation for committee attendance. In 2011 more meetings were called than scheduled. Jeroen van der Veer and Peter Elverding have voluntarily requested a lower level of compensation than the annual remuneration as adopted by the AGM and to cap the annual remuneration for Supervisory Board members relating to 2011 at EUR 100,000 and EUR 90,000 respectively (inclusive attendance fees). At their request, the excess amounts of EUR 14,000 and EUR 13,000 respectively will be deducted from their compensation relating to 2012. In 2012 their compensation will also be capped at the aforementioned levels.

The table below shows the remuneration, expense allowances and attendance fees per Supervisory Board member for 2011 and previous years.

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	2011 [1]	2010 [1]	2009 [1]
	(EUR thousands)		
Jeroen van der Veer [2)3)]	114 [4]	74	35
Peter Elverding [5]	103 [4]	84	79
Tineke Bahlmann [6]	70	69	46
Henk Breukink	71	69	61
Claus Dieter Hoffmann [7]	30	74	78
Piet Klaver	72	68	65
Godfried van der Lugt [8]	0	69	67
Aman Mehta	126	114	113
Joan Spero			