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BANKING OPERATIONS

The following table sets forth the contribution of ING's banking business lines and the corporate line banking (CLB) to the underlying net result for each of the years 2014, 2013 and 2012.

(EUR millions) **2014**	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line	Total Banking
Underlying income							
- Net interest result	3,818	1,974	1,519	1,792	3,473	-201	12,376
- Commission income	469	377	143	344	960	-2	2,290
- Total investment and other income	-36	139	-41	188	148	-113	285
Total underlying income	**4,250**	**2,490**	**1,621**	**2,324**	**4,581**	**-316**	**14,951**
Underlying expenditure							
- Operating expenses*	2,648	1,503	774	1,508	2,430	116	8,979
- Additions to loan loss provision	714	142	72	165	500		1,594
Total underlying expenditure	**3,362**	**1,646**	**846**	**1,673**	**2,930**	**116**	**10,573**
Underlying result before taxation	**888**	**844**	**775**	**651**	**1,651**	**-431**	**4,378**
Taxation	231	243	250	142	346	-103	1,108
Minority interests		1	1	51	26		79
Underlying net result	**657**	**600**	**524**	**458**	**1,280**	**-328**	**3,191**
Divestments				202			202
Special items	-63					-957	-1,021
Net result	**594**	**600**	**524**	**660**	**1,280**	**-1,286**	**2,373**

* including intangibles amortization and other impairments

(EUR millions) **2013**	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line	Total Banking
Underlying income							
- Net interest result	3,574	1,817	1,314	1,778	3,292	30	11,804
- Commission income	463	346	114	361	964	-5	2,244
- Total investment and other income	42	158	-40	235	2,961	-294	3,062
Total underlying income	**4,079**	**2,321**	**1,388**	**2,374**	**7,217**	**-269**	**17,111**
Underlying expenditure							
- Operating expenses*	2,368	1,476	709	1,631	2,386	125	8,694
- Additions to loan loss provision	877	183	82	280	867		2,288
Total underlying expenditure	**3,245**	**1,658**	**791**	**1,911**	**3,252**	**125**	**10,982**
Underlying result before taxation	**834**	**663**	**598**	**464**	**3,965**	**-395**	**6,128**
Taxation	221	196	188	111	979	-157	1,537
Minority interests		-4	1	66	27		90
Underlying net result	**613**	**470**	**409**	**287**	**2,959**	**-238**	**4,501**
Divestments				-42			-42
Special items	-107					25	-82
Net result	**506**	**470**	**409**	**245**	**2,959**	**-213**	**4,377**

* including intangibles amortization and other impairments

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(EUR millions) 2012	Retail Netherlands	Retail Belgium	Retail Germany	Retail Rest of World	Commercial Banking	Corporate Line	Total Banking
Underlying income							
- Net interest result	3,377	1,723	1,141	1,740	3,655	27	11,664
- Commission income	485	335	87	339	907	19	2,173
- Total investment and other income	35	136	-36	-273	-218	-23	-379
Total underlying income	**3,897**	**2,194**	**1,193**	**1,807**	**4,345**	**23**	**13,458**
Underlying expenditure							
- Operating expenses*	2,293	1,425	669	1,626	2,461	162	8,638
- Additions to loan loss provision	665	168	83	250	955		2,121
Total underlying expenditure	**2,958**	**1,593**	**752**	**1,877**	**3,416**	**162**	**10,759**
Underlying result before taxation	**939**	**601**	**441**	**-70**	**928**	**-140**	**2,699**
Taxation	244	168	161	33	270	-84	792
Minority interests			1	66	23		91
Underlying net result	**695**	**433**	**278**	**-170**	**635**	**-56**	**1,816**
Divestments				1,278			1,278
Special items	-284	-22			-129	-160	-595
Net result	**411**	**411**	**278**	**1,109**	**505**	**-216**	**2,499**

* including intangibles amortization and other impairments

Year ended 31 December 2014 compared to year ended 31 December 2013

ING's banking operations posted a strong performance in 2014 resulting in a underlying result before tax (excluding the impact of divestments and special items) of EUR 4,378 million. However, compared with 2013, the underlying result before tax declined by EUR 1,750 million or 28.6%. This decrease was due to a EUR 2,151 million negative swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and the Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax rose 9.3% to EUR 4,724 million in 2014 from EUR 4,323 million in 2013, mainly reflecting higher interest results, strict cost control and lower risk costs. This strong performance was achieved despite EUR 273 million on negative credit and debt valuation adjustments (CVA/DVA) in Commercial Banking and the Corporate Line, and EUR 399 million of redundancy provisions recorded 2014, which related principally to the further digitalization of our banking services in the Netherlands.

Net result from banking operations (including the impact from divestments and special items) decreased to EUR 2,373 million in 2014 from EUR 4,377 million in 2013. In 2014, special items mainly related to a EUR 653 million net charge to make the Dutch closed defined benefit pension fund financially independent and EUR 304 million of bank levies related to the nationalization of SNS, both recorded in the Corporate Line. This was partly offset by a EUR 202 million gain on the deconsolidation of ING Vysya Bank following its reclassification as an investment in an associate under equity accounting at the end of the first quarter. In 2013, the net impact of the divested ING Direct UK activities was EUR -42 million, while special items after tax were EUR -82 million. These items primarily reflect after-tax charges for the earlier announced restructuring programmes in Retail Netherlands and an additional provision release related to the new Dutch employee pension scheme announced in 2012.

Total underlying income declined 12.6% to EUR 14,951 million in 2014, from EUR 17,111 million in 2013. The underlying interest result increased 4.8% to EUR 12,376 million driven by an improvement of the interest margin to 1.51% from 1.42% in 2013, whereas the average balance sheet slightly declined by 1.3%. The interest margin on lending and savings products improved, supported by repricing in the loan book and further reduction of client savings rates in several countries. This more than offset the impact of lower average lending volumes, mainly caused by the sale and transfers of WestlandUtrecht Bank (WUB) assets to NN Group and the deconsolidation of ING Vysya Bank, lower margins on current accounts due to the low interest environment, and lower interest results at Bank Treasury. Commission income rose 2.0% to EUR 2,290 million. Investment and other income fell to EUR 285 million, from EUR 3,062 million in 2013. This decline was mainly explained by the aforementioned EUR 2,151 million negative swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios, as well as the negative swing in CVA/DVA adjustments in Commercial Banking and the Corporate Line (which were EUR 273 million negative in 2014, compared with EUR 74 million of positive CVA/DVA impacts in 2013), while 2013 was furthermore supported by a EUR 99 million one-off gain on the unwinding of the IABF following the agreement with the Dutch state. Excluding these items, investment and other income was 16.6% lower, mainly due to lower dividend income.

Underlying operating expenses increased 3.3% to EUR 8,979 million, compared with EUR 8,694 million in 2013. The increase was mainly due to EUR 399 million of redundancy provisions recorded in 2014 versus EUR 132 million of additional restructuring and redundancy charges taken in 2013. Excluding these items, expenses remained flat, as higher regulatory costs, higher pension costs and investments in future growth were offset by the benefits from ongoing cost-saving initiatives, the deconsolidation of ING Vysya Bank and lower impairments on real estate development projects.

The net addition to the provision for loan losses declined to EUR 1,594 million, from EUR 2,288 million in 2013. Risk costs were 55 basis points of average risk-weighted assets compared with 83 basis points in 2013. Most businesses, with the exception of Retail Netherlands, are now operating at around a normalized level of risk costs as the overall economic environment gradually improves.

Year ended 31 December 2013 compared to year ended 31 December 2012

Underlying result before tax (excluding the impact of divestments and special items) more than doubled to EUR 6,128 million in 2013, from EUR 2,699 million in 2012. This increase in result was boosted by a EUR 2,661 million positive swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax increased 21.6% to EUR 4,323 million in 2013 from EUR 3,554 million in 2012. This increase mainly reflects a strengthening of the interest margin, less volatility in credit and debt valuation adjustments (CVA/DVA) in Commercial Banking and the Corporate Line, and the absence of de-risking losses in 2013. This was partly offset by 7.9% higher risk costs, while expenses were almost flat despite higher pension costs and additional restructuring charges.

Net result from banking operations increased to EUR 4,377 million in 2013 from EUR 2,499 million in 2012. In 2013, the net impact of the divested ING Direct UK activities was EUR -42 million, including an additional net transaction loss on the sale of EUR 6 million. In 2013, special items after tax were EUR -82 million. These items primarily reflect after-tax charges for the earlier announced restructuring programmes in Retail Netherlands and an additional provision release related to the new Dutch employee pension scheme announced in 2012. Divestments in 2012, related to the sale of ING Direct USA and ING Direct Canada, and the loss taken prior to the sale of ING Direct UK, resulted in a total net gain of EUR 1,365 million, while the operating net result from the divested units amounted to EUR -86 million. In 2012, special items after tax were EUR -595 million, mainly related to a settlement with authorities in the United States, various restructuring programs, including further restructuring in Retail Netherlands and Commercial Banking, and costs related to the separation of ING Bank and ING Insurance. These negative impacts were partly offset by a EUR 251 million provision release from the new Dutch employee pension scheme.

Total underlying income rose 27.1% to EUR 17,111 million in 2013, from EUR 13,458 million in 2012. The underlying interest result increased 1.2% to EUR 11,804 million driven by an improvement of the interest margin to 1.42% from 1.32% in 2012, whereas the average balance sheet declined by 5.7%. The interest margin on lending and savings products improved, supported by repricing in the loan book and lowering of client savings rates. This more than offset the impact of lower lending volumes, partly caused by the transfer and sale of WUB assets to ING Insurance, and lower interest results following a lengthening of the Bank’s funding profile, largely recorded in Corporate Line. Commission income rose 3.3% to EUR 2,244 million. Investment and other income strongly improved to EUR 3,062 million, from EUR -379 million in 2012. This improvement was mainly explained by the aforementioned EUR 2,661 million positive swing in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios, as well as the positive swing in CVA/DVA adjustments (which were EUR 74 million positive in 2013, compared with EUR 640 million of negative CVA/DVA impacts in 2012), while 2012 included EUR 478 million of selective de-risking losses in the European debt securities portfolio, against nil in 2013. Excluding these items, investment and other income declined by 25.8% mainly due to lower gains on the sale of equity and debt securities.

Underlying operating expenses increased slightly, by 0.6% to EUR 8,694 million, compared with EUR 8,638 million in 2012. The increase was mainly due to higher pension costs and additional restructuring charges taken in the second half of 2013, which were largely offset by the benefits from ongoing cost-saving initiatives, the partial transfer of WUB staff to NN Group and lower impairments on real estate development projects.

The net addition to the provision for loan losses increased to EUR 2,288 million, from EUR 2,121 million in 2012, reflecting the continued weak economic environment. Risk costs were 83 basis points of average risk-weighted assets compared with 74 basis points in 2012.

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RETAIL NETHERLANDS

	2014	2013	2012
		(EUR millions)	
Underlying income:			
Interest result	3,818	3,574	3,377
Commission income	469	463	485
Investment income and other income	-36	42	35
Total underlying income	**4,250**	**4,079**	**3,897**
Underlying expenditure:			
Operating expenses	2,648	2,368	2,293
Additions to the provision for loan losses	714	877	665
Total expenditure	**3,362**	**3,245**	**2,958**
Underlying result before tax	**888**	**834**	**939**
Taxation	231	221	244
Minority interests			
Underlying net result	**657**	**613**	**695**
Divestments			
Special items	-63	-107	-284
Net result	**594**	**506**	**411**

Year ended 31 December 2014 compared to year ended 31 December 2013

The underlying result before tax of Retail Netherlands rose to EUR 888 million from EUR 834 million in 2013, mainly due to higher income and lower risk costs, while operating expenses increased substantially predominantly due to EUR 314 million of redundancy provisions to take the next step in digital banking in the Netherlands (announced on 25 November 2014), EUR 11 million for further restructuring at WUB (related to outsourcing of activities) and EUR 24 million of additional redundancy provisions taken in the third quarter, while 2013 included EUR 97 million of additional restructuring provisions. Excluding these provisions, underlying result before tax rose 32.9%. Underlying income increased to EUR 4,250 million, up 4.2% compared with EUR 4,079 million in 2013, reflecting higher margins on lending and savings, which more than compensated for a decline in volumes due to transfer of mortgages of WUB to NN Group as of mid-2013 and higher mortgage prepayments. In 2014, net production of mortgages (adjusted for the transfer of WUB mortgages) was EUR -2.2 billion. Other lending, mainly business lending, decreased by EUR 1.5 billion. Net production in funds entrusted was EUR 1.7 billion in 2014, reflecting increases in savings and current accounts. Investment and other income declined by EUR 78 million on last year, in part due to a EUR 23 million one-off loss on the sale of real estate in own use in the second quarter of 2014. Excluding the aforementioned redundancy provisions, operating expenses increased 1.2% on 2013, as higher pension costs and IT spending were only partly offset by the benefits from the ongoing cost-efficiency programmes and the transfer of part of the WUB organization to NN Bank as of mid-2013. Net additions to loan loss provisions declined to EUR 714 million from EUR 877 million in 2013, both in residential mortgages and business lending, reflecting a gradual economic recovery in the Netherlands.

Underlying net result rose to EUR 657 million in 2014 compared with EUR 613 million in 2013, while the net result increased to EUR 594 million in 2013 compared with EUR 506 million in 2013. Special items after tax in 2014 were EUR -63 million, fully related to the previously announced restructuring programmes. Special items after tax in 2013 were EUR -107 million, mainly related to the previously announced restructuring programmes and the transfer of WUB activities to NN Group.

Year ended 31 December 2013 compared to year ended 31 December 2012

The underlying result before tax of Retail Netherlands decreased 11.2% to EUR 834 million in 2013 compared with EUR 939 million in 2012, due to additional restructuring charges and an increase in risk costs. Underlying income rose 4.7% to EUR 4,079 million in 2013, reflecting higher interest results on lending and savings due to an improvement in margins, supported by a reduction in customer savings rates. These improvements were partly offset by lower volumes following the transfer and sale of EUR 8.3 billion of assets and EUR 3.7 billion of liabilities from WUB to NN Group together with the sale of another EUR 2.2 billion of mortgages. Excluding these sales and transfers, net production of mortgages was EUR -0.4 billion in 2013, while other lending, mainly business lending, decreased by EUR 2.2 billion. Net production in funds entrusted was nil, mainly caused by new legislation for local governments to place surplus cash at the National Treasury and an acceleration of redemptions on mortgages. Operating expenses increased 3.3% to EUR 2,368 million in 2013, including EUR 97 million of additional restructuring charges taken in the second half of the year, which were part of an extension of the efficiency programmes currently running. Excluding the restructuring charges, expenses decreased 1.0% from 2012, despite higher pension costs, reflecting the benefits of the efficiency programmes and the transfer of WUB staff to NN Group as of mid-2013. Net additions to loan loss provisions rose to EUR 877 million from EUR 665 million in 2012, mainly due to higher risk costs on mortgages and to a lesser extent business lending, reflecting the continued weakness in the Dutch economy.

Underlying net result declined to EUR 613 million in 2013 compared with EUR 695 million in 2012, while the net result increased to EUR 506 million in 2013 compared with EUR 411 million in 2012. Special items after tax in 2013 were EUR -107 million, mainly related to the previously announced restructuring programmes and the transfer of WUB activities to NN Group. Special items after tax in 2012 were EUR -284 million, mainly related to the cost reduction initiative Case for Change launched in 2011, which was followed by a second phase of strategic initiatives in the fourth quarter of 2012, additional costs for the combining of ING Bank and Postbank, and restructuring at WUB.

RETAIL BELGIUM

	2014	2013 (EUR millions)	2012
Underlying income:			
Interest result	1,974	1,817	1,723
Commission income	377	346	335
Investment income and other income	139	158	136
Total underlying income	**2,490**	**2,321**	**2,194**
Underlying expenditure:			
Operating expenses	1,503	1,476	1,425
Additions to the provision for loan losses	142	183	168
Total expenditure	**1,646**	**1,658**	**1,593**
Underlying result before tax	**844**	**663**	**601**
Taxation	243	196	168
Minority interests	1	-4	
Underlying net result	**600**	**470**	**433**
Divestments			
Special items			-22
Net result	**600**	**470**	**411**

Year ended 31 December 2014 compared to year ended 31 December 2013

The underlying result before tax of Retail Belgium rose 27.3% to EUR 844 million in 2014 compared with EUR 663 million in 2013, mainly due to higher income. Total underlying income rose 7.3% to EUR 2,490 million, from EUR 2,321 million in 2013. The interest result increased 8.6% driven by higher volumes in almost all products and increased margins on mortgages and savings. The lending portfolio grew by EUR 5.1 billion in 2014, of which EUR 1.9 billion in mortgages and EUR 3.2 billion in other lending. Funds entrusted increased by EUR 3.9 billion, mainly in current accounts. Operating expenses increased to EUR 1,503 million, compared with EUR 1,476 million in 2013. The increase was mainly due to higher Belgium bank taxes and increased IT costs, partly offset by lower staff expenses as a result of lower headcount in the Retail branch network. The net additions to loan loss provisions declined by EUR 41 million to EUR 142 million, or 59 basis points of average risk-weighted assets, compared with 2013. The net addition for business lending and non-mortgage lending to private persons declined by EUR 58 million, while risk costs for mortgages were EUR 16 million higher.

Both underlying net result and net result increased by EUR 130 million, or 27.7%, to EUR 600 million in 2014 from EUR 470 million in 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

The underlying result before tax of Retail Belgium increased 10.3% compared with 2012 to EUR 663 million, due to higher income supported by volume growth. Income rose 5.8% to EUR 2,321 million, from EUR 2,194 million in 2012, mainly reflecting higher interest results driven by further growth in customer balances, while margins on current accounts declined. In 2013, net production in funds entrusted was EUR 3.7 billion. The net mortgage production was EUR 1.0 billion, while other lending grew slightly by EUR 0.1 billion. Operating expenses increased 3.6% compared with 2012 to EUR 1,476 million, mainly due to higher expenses for the deposit guarantee scheme and inflation-driven cost increases, which were partly offset by the benefits from the efficiency programmes. Risk costs were EUR 183 million, or 89 basis points of average risk-weighted assets. This is an increase of 8.9% on 2012, reflecting higher additions for business lending and mortgages, though the latter remained relatively low.

Underlying net result increased to EUR 470 million in 2013 from EUR 433 million in 2012. The net result improved to EUR 470 million in 2013 from EUR 411 million in 2012, which included EUR -22 million of special items after tax. The special items in 2012 were related to the Belgian domestic transformation programme and the separation of ING Bank and ING Insurance.

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RETAIL GERMANY

	2014	2013 (EUR millions)	2012
Underlying income:			
Interest result	1,519	1,314	1,141
Commission income	143	114	87
Investment income and other income	-41	-40	-36
Total underlying income	**1,621**	**1,388**	**1,193**
Underlying expenditure:			
Operating expenses	774	709	669
Additions to the provision for loan losses	72	82	83
Total expenditure	**846**	**791**	**752**
Underlying result before tax	**775**	**598**	**441**
Taxation	250	188	161
Minority interests	1	1	1
Underlying net result	**524**	**409**	**278**
Special items			
Net result	**524**	**409**	**278**

Year ended 31 December 2014 compared to year ended 31 December 2013

Retail Germany's underlying result before tax increased 29.6% to EUR 775 million in 2014, compared with EUR 598 million in 2013, driven by strong income growth. Underlying income rose 16.8% to EUR 1,621 million compared with EUR 1,388 million in 2013. This increase mainly reflects higher interest results following continued business growth and improved margins on savings; the margins on lending and current accounts were somewhat lower. Commission income was EUR 29 million higher, mainly in security brokerage and advisory fees. Funds entrusted continued to grow with an increase of EUR 7.5 billion in 2014, despite a further reduction of client savings rates. The lending portfolio rose by EUR 1.6 billion, of which EUR 1.0 billion was in residential mortgages and EUR 0.6 billion in consumer lending. Operating expenses increased 9.2% compared with 2013 to EUR 774 million. The increase primarily reflects an increase in headcount at both ING-DiBa and Interhyp, as well as investments to support business growth and attract primary banking clients. The net additions to loan loss provisions declined to EUR 72 million (or 29 basis points of average risk-weighted assets) from EUR 82 million (or 37 basis points of average risk-weighted assets) in 2013.

Both underlying net result and net result increased by EUR 115 million, or 28.1%, to EUR 524 million in 2014 from EUR 409 million in 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

Retail Germany's underlying result before tax rose 35.6% to EUR 598 million in 2013, compared with EUR 441 million in 2012, due to continued volume growth in most products and improved margins on savings. Underlying income increased 16.3% to EUR 1,388 million in 2013 compared with EUR 1,193 million in 2012. The increase reflects higher interest results stemming from higher lending and savings balances and increased margins on savings supported by a reduction of the core savings rate at the beginning of 2013. Commission income rose by EUR 27 million from 2012, reflecting higher income from security brokerage. Investment and other income was slightly down, as the absence of de-risking losses in 2013 was offset by increased negative hedge ineffectiveness. Funds entrusted grew by EUR 9.2 billion in 2013. Lending growth was EUR 2.7 billion, of which EUR 2.2 billion was in mortgages. Operating expenses increased 6.0% compared with 2012, due to higher personnel expenses reflecting an increase in headcount and increased expenses for the Deposit Guarantee Scheme, in line with the growth of the business. The additions to the provision for loan losses slightly declined to EUR 82 million (or 37 basis points of average risk-weighted assets) from EUR 83 million (or 38 basis points) in 2012.

Both underlying net result and net result increased by EUR 131 million, or 47.1%, to EUR 409 million in 2013 compared with EUR 278 million in 2012.

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RETAIL REST OF WORLD

	2014	2013 (EUR millions)	2012
Underlying income:			
Interest result	1,792	1,778	1,740
Commission income	344	361	339
Investment income and other income	188	235	-273
Total underlying income	**2,324**	**2,374**	**1,807**
Underlying expenditure:			
Operating expenses	1,508	1,632	1,626
Additions to the provision for loan losses	165	280	250
Total expenditure	**1,673**	**1,911**	**1,877**
Underlying result before tax	**651**	**464**	**-70**
Taxation	142	111	33
Minority interests	51	66	66
Underlying net result	**458**	**287**	**-170**
Divestments	202	-42	1,278
Net result	**660**	**245**	**1,109**

Year ended 31 December 2014 compared to year ended 31 December 2013

The underlying result before tax of Retail Rest of World increased to EUR 651 million, compared with EUR 464 million in 2013. The higher results mainly reflect better commercial results in Poland, Italy and Romania and lower losses in the UK Legacy run-off portfolio. This was in part offset by lower results from Turkey and a lower dividend from the Bank of Beijing. Underlying income decreased by EUR 50 million to EUR 2,324 million from EUR 2,374 million in 2013. This decline was caused by the deconsolidation of ING Vysya Bank at the end of March 2014, following changes in the company’s governance. Adjusted for the deconsolidation of ING Vysya Bank, income increased 6.2% due to higher interest results supported by increased volumes. In 2014, net funds entrusted, excluding currency effects and the deconsolidation of ING Vysya Bank, grew by EUR 6.1 billion with growth in most countries, notably Spain and Poland. Net lending grew by EUR 5.4 billion (also adjusted for the sale of a mortgage portfolio in Australia), mainly in Turkey, Poland, Australia and Spain. Operating expenses declined by EUR 123 million compared with previous year, but were up 0.3% when excluding ING Vysya Bank. This increase was mainly due to strategic investments to support business growth, largely offset by favourable currency impacts. The net addition to the provision for loan losses was EUR 165 million, or 39 basis points of average risk-weighted assets, down from EUR 280 million, or 64 basis points of average risk-weighted assets, in 2013. This decline was predominantly caused by the deconsolidation of ING Vysya Bank and a small net release in the UK Legacy portfolio, whereas 2013 included an addition of EUR 60 million.

Underlying net result increased to EUR 458 million in 2014, from EUR 287 million in 2013. The net result jumped to EUR 660 million from EUR 245 million last year. In 2014, the change in accounting of ING Vysya Bank resulted in a net gain of EUR 202 million. The impact of divestments in 2013 was EUR -42 million, fully related to the closing of the sale of ING Direct UK in March 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

The underlying result before tax of Retail Rest of World rose to EUR 464 million, compared with a loss of EUR 70 million in 2012, when results were impacted by EUR 441 million of losses related to selective de-risking of the investment portfolio. Underlying income increased to EUR 2,374 million from EUR 1,807 million in 2012. Excluding de-risking losses, income rose 5.6% mainly due to improved commercial results in most countries, and a higher dividend received from the Bank of Beijing. The interest result increased 2.2% due to higher margins, partly offset by currency impacts. Excluding currency effects and the sale of a mortgage portfolio in Australia, net production in mortgages was EUR 1.4 billion, while other lending grew by EUR 3.2 billion in 2013. Funds entrusted reported a net inflow of EUR 5.8 billion. Operating expenses increased slightly by 0.3% to EUR 1,631 million in 2013 from EUR 1,626 million in 2012, as higher expenses due to business growth were largely offset by favourable currency impacts. Risk costs rose to EUR 280 million, or 64 basis points of average risk-weighted assets, compared with EUR 250 million, or 50 basis points, in 2012. The increase in risk costs was mainly in India and Turkey, reflecting the economic turmoil in these countries, partly offset by lower additions in Romania and the UK legacy portfolio.

Underlying net result turned to a profit of EUR 287 million in 2013, from a loss of EUR 170 million in 2012. The net result fell to EUR 245 million from EUR 1,109 million in 2012. The impact of divestments in 2013 was EUR -42 million, fully related to the closing of the sale of ING Direct UK in March 2013. In 2012, divestments added EUR 1,278 million to the net result, reflecting the net gains on the sale of ING Direct Canada and ING Direct USA, and the loss taken prior to the announced sale of ING Direct UK, as well as the operating net results of the divested units.

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COMMERCIAL BANKING

	2014	2013	2012
		(EUR millions)	
Underlying income:			
Interest result	3,473	3,292	3,655
Commission income	960	964	907
Investment income and other income	148	2,961	-218
Total underlying income	**4,581**	**7,217**	**4,345**
Underlying expenditure:			
Operating expenses	2,430	2,386	2,461
Additions to the provision for loan losses	500	867	955
Total expenditure	**2,930**	**3,252**	**3,416**
Underlying result before tax	**1,651**	**3,965**	**928**
Taxation	346	979	270
Minority interests	26	27	23
Underlying net result	**1,280**	**2,959**	**635**
Divestments			
Special items			-129
Net result	**1,280**	**2,959**	**505**

Year ended 31 December 2014 compared to year ended 31 December 2013

Commercial Banking’s underlying result before tax fell to EUR 1,651 million in 2014 from EUR 3,965 million in 2013. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and Czech Republic were EUR -346 million in 2014 compared with EUR 1,805 million in 2013. These fair value changes are mainly a result of changes in market interest rates. As explained on page 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were EUR 216 million negative in 2014 versus EUR 173 million of positive adjustments in 2013. Furthermore, 2014 included EUR 50 million of additional redundancy provisions taken for the next steps in digital banking in the Netherlands and the ongoing transformation programmes in Commercial Banking versus EUR 17 million of additional redundancy provisions in 2013. Excluding these impacts, underlying result of Commercial Banking was up 12.9% on 2013.

Industry Lending posted an underlying result before tax of EUR 1,252 million, up 36.5% compared with 2013. This increase was mainly caused by lower risk costs in Real Estate Finance, and higher income in Structured Finance due to strong volume growth. This was partly offset by lower income from Real Estate Finance due to a downsizing of the portfolio. General Lending & Transaction Services’ underlying result before tax declined 6.3% to EUR 474 million, due to higher risk costs, while income and expenses remained flat. Financial Markets recorded an underlying result before tax of EUR 106 million, down from EUR 584 million in 2013, mainly reflecting the aforementioned negative swing in CVA/DVA impacts. The underlying result of Bank Treasury, Real Estate & Other (which included the EUR 50 million of additional redundancy provisions taken in 2014) turned to a loss of EUR 181 million, compared with a profit of EUR 1,959 million in 2013, mainly reflecting the aforementioned fair value changes on derivatives related to asset-liability-management activities.

Underlying income declined 36.5% to EUR 4,581 million compared with EUR 7,217 million in 2013, primarily driven by the aforementioned fair value changes on derivatives related to asset-liability-management activities and the negative swing in CVA/DVA. Excluding these items, income declined 1.8% on 2013, mainly in Financial Markets and the run-off businesses, in part offset by higher income in Structured Finance. Net lending assets, adjusted for currency impacts, increased by EUR 6.3 billion in 2014, mainly due to strong growth in Structured Finance and Transaction Services, while the volumes in Real Estate Finance and the Lease run-off portfolio declined. The net funds entrusted decreased by EUR 2.3 billion in 2014. Operating expenses increased 1.8% to EUR 2,430 million, compared with EUR 2,386 million in 2013. Excluding the aforementioned redundancy provisions, operating expenses declined 0.5% on 2013. Risk costs fell to EUR 500 million, or 37 basis points of average risk-weighted assets, from EUR 867 million, or 68 basis points of average risk-weighted assets, in 2013. The decrease was mainly visible in Real Estate Finance and - to a lesser extent - the lease run-off business, while risk costs were up in General Lending.

Both underlying net result and net result decreased by EUR 1,679 million, or 56.7%, to EUR 1,280 million in 2014 compared with EUR 2,959 million in 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

Commercial Banking’s underlying result before tax strongly improved to EUR 3,965 million in 2013 from EUR 928 million in 2012. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Netherlands, Belgium and Czech Republic were EUR 1,805 million in 2013 compared with EUR -856 million in 2012. These fair value changes are mainly a result of changes in market interest rates. As explained on page 4, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were EUR 173 million positive in 2013 versus EUR 457 million of negative adjustments in 2012.

Excluding these impacts, underlying result of Commercial Banking was 11.3% lower than in 2012, mainly caused by lower income in Bank Treasury, Real Estate & Other, partly offset by good cost control and lower risk costs.

Industry Lending posted an underlying result before tax of EUR 917 million in 2013, up from EUR 829 million in 2012, primarily due to higher income in Structured Finance and Corporate Investments combined with lower risk costs, which more than offset lower results on Real Estate Finance due to a downsizing of the portfolio in line with ING Bank’s strategy. The underlying result before tax of General Lending & Transaction Services decreased to EUR 506 million from EUR 617 million in 2012. The decline was mainly attributable to lower interest results reflecting lower volumes in General Lending and margin pressure in Payments & Cash Management, while expenses were up due to investments in IT to enhance product capabilities. This was partly offset by lower risk costs. Financial Markets’ underlying result improved to a profit of EUR 584 million from a loss of EUR 15 million in 2012, reflecting the aforementioned positive swing in CVA/DVA impacts. The underlying result of Bank Treasury, Real Estate & Other improved to EUR 1,959 million in 2013, from EUR -503 million in 2012, mainly due to the impact of the aforementioned fair value changes on derivatives related to asset-liability-management activities and – to a lesser extent – lower impairments on real estate development projects. This was partly offset by lower income from Bank Treasury activities and the further wind-down of the Lease run-off business.

Commercial Banking’s total underlying income rose 66.1% to EUR 7,217 million compared with EUR 4,345 million in 2012, primarily driven by the aforementioned fair value changes on derivatives related to asset-liability-management activities and the positive swing in CVA/DVA. Excluding these items, income declined 7.4% on 2012, due to lower interest results, especially in Financial Markets, but also in General Lending, Bank Treasury and the Lease run-off business. Adjusted for currency impacts and the sale of a US Real Estate Finance portfolio, net lending declined slightly by EUR 0.2 billion in 2013, as lower volumes in Real Estate Finance, General Lending and the Lease run-off portfolio was offset by growth in Structured Finance and Trade Finance Services. Net funds entrusted grew by EUR 8.5 billion. Underlying operating expenses decreased 3.0% to EUR 2,386 million, due to good cost control and lower impairments on real estate development projects. Risk costs decreased to EUR 867 million, or 68 basis points of average risk-weighted assets, from EUR 955 million, or 72 basis points of average risk-weighted assets, in 2012. The decrease was mainly visible in Industry Lending, although risk costs in Real Estate Finance slightly increased. In General Lending risk costs were lower.

Both the underlying net result and total net result were EUR 2,959 million in 2013. This represents an increase of EUR 2,324 million and EUR 2,454 million, respectively, compared with an underlying net result of EUR 635 million and a total net result of EUR 505 million in 2012. Special items after tax in 2012 were EUR -129 million, fully related to restructuring provisions.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group’s condensed consolidated assets and liabilities as of 31 December 2014, 2013 and 2012, reference is made to page F-3 for the complete consolidated balance sheet 2014 of ING Group.

	2014	2013	2012
	(EUR billions, except amounts per share)		
Cash and balances with central banks	12.2	13.3	17.7
Amounts due from banks	37.1	43.0	39.1
Investments	97.6	141.0	200.1
Financial assets at fair value through the profit and loss account	144.1	165.2	232.4
Loans and advances to customers	512.4	527.0	556.9
Assets held for sale	165.4	156.9	65.6
Other assets	18.9	30.2	46.3
Total assets	**987.7**	**1,076.6**	**1,158.1**
Shareholders’ equity	46.6	42.3	46.5
Non-voting equity securities	0	1.5	2.3
	46.6	43.8	48.7
Minority interests	8.0	5.9	1.6
Total equity	**54.7**	**49.7**	**50.4**
Insurance and investment contracts		111.8	230.0
Amounts due to banks	30.0	27.2	38.7
Customer deposits and other funds on deposits (1)	483.9	474.3	454.9
Financial liabilities at fair value through the profit and loss account	116.7	98.5	115.8
Debt securities in issue/other borrowed funds	137.6	141.4	160.2
Liabilities held for sale	142.1	146.4	67.5
Other liabilities	22.7	27.3	40.6
Total equity and liabilities	**987.7**	**1,076.6**	**1,158.1**
Shareholders’ equity per Ordinary Share (in EUR)	12.10	11.02	12.22

(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.

The comparison of the balance sheets is impacted by the classification of businesses as held for sale and discontinued operations. As of 2013, Voya was classified as held for sale and discontinued operations and ING Group’s business in Japan was reclassified to continuing operations. In 2014, Voya was deconsolidated following the loss of control. ING’s remaining interest in Voya is presented as an available-for-sale investment held for sale at 31 December 2014. As of 2014, NN Group, including ING Group’s business in Japan, is classified as held for sale and discontinued operations.

Year ended 31 December 2014 compared to year ended 31 December 2013

Total assets decreased in 2014 by EUR 89 billion, or 8.2%, to EUR 988 billion at year-end 2014 compared to EUR 1,077 billion at year-end 2013. Total assets on a comparable basis, i.e., excluding the impact of NN Group’s classification as Held for sale increased by EUR 42 billion, including EUR 14 billion of positive currency impacts. Excluding currency impacts, the remaining increase of EUR 28 billion was mainly due to EUR 18 billion in higher financial assets at fair value through P&L, EUR 17 billion of higher investments in order to build an eligible liquidity portfolio and EUR 9 billion in higher customer lending. The increase in customer lending was realised despite the deconsolidation of ING Vysya Bank, additional transfers of WUB mortgages to NN Bank, and the sale of a mortgage portfolio in Australia. These increases were partly offset by lower amounts due from banks and lower securities at amortised costs, including the unwinding of the last part of the IABF. On the liability side, ING Group improved its funding profile with an EUR 11 billion growth in savings accounts and EUR 13 billion of higher credit balances on customer accounts, all excluding currency impacts.

Shareholders’ equity increased by EUR 4.3 billion, from EUR 42.3 billion at the end of 2013 to EUR 46.6 billion at the end of 2014. The increase was mainly due to the net result for the year 2014 of EUR 1.0 billion and higher debt and equity revaluation reserves, net of deffered interest crediting to life policyholders, due to lower interest rates partly offset by the impact of the IPO of NN Group of EUR 4.2 billion.

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Non-voting equity securities declined by EUR 1.5 billion to EUR 0 billion as the Dutch State was fully repaid in November 2014.

Year ended 31 December 2013 compared to year ended 31 December 2012

Total assets decreased in 2013 by EUR 81 billion, or 7.0%, to EUR 1,077 billion at year-end 2013 compared to EUR 1,158 billion at year-end 2012. Assets held for sale increased by EUR 90 billion, mainly due to transfers of Insurance ING U.S. to and Japan from the Held-for-sale status. Loans and advances to customers declined by EUR 30 billion, or 5.4% to EUR 527 billion at year-end 2013 compared to EUR 557 billion at year-end 2012, due to lower securities at amortised cost and IABF, the sale of Dutch and Australian mortgages and the sale of US Real Estate Finance loans. Investments decreased by EUR 59 billion, or 30.0%, to EUR 141 billion at year-end 2013 from EUR 200 billion at year-end 2012, mainly due to the transfer of investments of Insurance ING U.S. to assets held for sale. Financial assets at fair value through P&L decreased by EUR 67 billion mainly due to a lower revaluation of derivatives as long-term interest rates increased.

Shareholders’ equity decreased by EUR 4.2 billion, from EUR 46.5 billion at the end of 2012 to EUR 42.3 billion at the end of 2013. Equity was negatively impacted by revaluations of debt securities, net of deferred interest crediting to life policyholders, due to the negative impact of higher interest rates of EUR 3.4 billion, exchange rate differences reflecting the appreciation of the euro against most currencies of EUR -1.7 billion, the impact of the sale of 43% ING U.S. of EUR -2.5 billion and the decrease in the net pension asset of EUR -0.9 billion. These negative impacts were partly offset by the addition of the net result of EUR 4.6 billion.

Non-voting equity securities declined by EUR 0.8 billion due to the repayment to the Dutch State in November 2013.

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., NN Group 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 31 December 2014 was EUR 13,493 million, at 31 December 2013, EUR 13,406 million and at 31 December 2012, EUR 16,760. The EUR 13,493 million of debt and capital securities outstanding at 31 December 2014 consisted of subordinated loans of EUR 8,096 million and debenture loans of EUR 5,397 million, both specified below:

Interest rate (%)	Year of issue	Due date	Balance sheet value
	(EUR millions)		
4.000	2014	Perpetual	675
9.000	2008	Perpetual	10
7.375	2007	Perpetual	1,232
6.375	2007	Perpetual	860
5.140	2006	Perpetual	85
5.775	2005	Perpetual	301
6.125	2005	Perpetual	574
4.176	2005	Perpetual	169
Variable	2004	Perpetual	559
6.200	2003	Perpetual	409
Variable	2003	Perpetual	429
7.200	2002	Perpetual	899
7.050	2002	Perpetual	659
Variable	2000	31 December 2030	1,235
			8,096

Interest rate (%)	Year of issue	Due date	Balance sheet value
	(EUR millions)		
Variable	2013	27 February 2015	999
4.125	2011	23 March 2015	653
4.699	2007	1 June 2035	118
4.750	2007	31 May 2017	1,880
Variable	2006	11 April 2016	999
4.125	2006	11 April 2016	748
			5,397

At 31 December 2014, 2013 and 2012, ING Groep N.V. also owed EUR 128 million, EUR 1,115 million and EUR 2,372 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. The EUR 128 million owed by ING Groep N.V. to ING Group companies at 31 December 2014 was owed to ING Bank 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 billion. This capital injection qualified as core Tier 1 capital for regulatory purposes. Such securities were not issued in the years before. In December 2009, ING repaid the first half of the non-voting equity securities (core Tier 1 Securities) of EUR 5 billion plus a total premium of EUR 605 million. On 13 May 2011, ING exercised its option for early repayment of EUR 2 billion of the remaining non-voting equity securities. The total payment in May 2011 amounted to EUR 3 billion and included a 50% repurchase premium. ING funded this repayment from retained earnings. In November 2012, ING reached an agreement with the European Commission on amongst others the repayment of the remainder of the non-voting equity securities, according to which ING intended to repay the remaining EUR 3 billion core Tier 1 Securities at a total cost of EUR 4.5 billion in four equal tranches in the next three years that followed. In accordance with this agreement, ING repaid EUR 0.75 billion of the remaining non-voting equity securities in November 2012. The total payment of November 2012 amounted to EUR 1,125 million including premiums and interest. In November 2013, ING repaid the second tranche amounting to EUR 1,125 million including premiums and interest. A third tranche of EUR 1,225 million was paid in March 2014, including premiums and interest and a final payment in November 2014 of EUR 1,025 million, including premiums and interest.

The total amount repaid to the Dutch State on the core Tier 1 Securities was EUR 13.5 billion, including EUR 10 billion in principal and EUR 3.5 billion in interest and premiums. Repayments were completed half a year ahead of the repayment schedule agreed with the European Commission in 2012.

At 31 December 2014, 2013 and 2012, ING Groep N.V. had EUR 0 million, EUR 1 million and EUR 9 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 1,541 million, EUR 3,837 million and EUR 2,125 million in 2014, 2013 and 2012, respectively, in each case representing dividends declared and paid with respect to the reporting calendar year and the prior calendar year. The amounts paid to ING Groep N.V. were received from ING Bank in EUR 1,225 million in 2014, EUR 2,955 million in 2013 and EUR 2,125 million in 2012, and from NN Group EUR 315 million in 2014, EUR 882 million in 2013 and EUR 0 million in 2012, respectively. On the other hand, ING Groep N.V. injected EUR 850 million, EUR 1,330 million and EUR 0 million into its direct subsidiaries during the reporting year 2014, 2013 and 2012, respectively. All of these amounts were injected into NN Group. ING Groep N.V. 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 ING Groep N.V.’s subsidiaries operate, other limitations exist in certain countries.

In 2014, ING Bank repurchased certain EUR and USD denominated Dutch Government guaranteed notes. For more information see Note 16 of Note 2.1 to the consolidated financial statements.

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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 31 December 2014 compared to year ended 31 December 2013

Net cash flow from operating activities amounted to EUR 12,019 million for the year ended 31 December 2014, compared with EUR -8,418 million for the year ended 31 December 2013. This increase was mainly due to trading assets/liabilities and amounts due to/from banks, partly offset by loans and advances to customers. The cash flow generated through the customer deposits and other funds on deposit was EUR 19,015 million and EUR 25,585 million for 2014 and 2013, respectively.

Net cash flow from investment activities in 2014 was EUR -7,419 million, compared to EUR 9,269 million in 2013. The decrease was mainly caused by available-for-sale investments and investments for risk of policyholders.

Net cash flow from financing activities was EUR -4,663 million in 2014, compared to EUR -8,703 million in 2013. The increase of EUR 4,040 million in net cash flow from financing activities is mainly due to the repayment of and proceeds from borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2014 of EUR 17,113 million, compared with EUR -17,180 million at year-end 2013, a decrease of EUR 67 million from 2013 levels.

	2014	2013
	(EUR millions)	
Treasury bills and other eligible bills	677	574
Amounts due from/to banks	-2,036	1,015
Cash and balances with central banks	12,233	13,316
Cash and cash equivalents classified as Assets held for sale Held for saled	6,239	2,275
Cash and cash equivalents at end of year	**17,113**	**17,180**

Year ended 31 December 2013 compared to year ended 31 December 2012

Net cash flow from operating activities amounted to EUR -8,418 million for the year ended 31 December 2013, compared with EUR -9,260 million for the year ended 31 December 2012. This decrease 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 was EUR 25,585 million and EUR 27,718 million for 2013 and 2012, respectively.

Net cash flow from investment activities in 2013 was EUR 9,269 million, compared to EUR 576 million in 2012. The increase was mainly caused by investments for risk of policyholders and investments available for sale.

Net cash flow from financing activities was EUR -8,703 million in 2013, compared to EUR -1,665 million in 2012. The decrease of EUR 7,038 million in net cash flow from financing activities is mainly due to the repayment of and proceeds from borrowed funds and debt securities.

The operating, investing and financing activities described above resulted in net cash and cash equivalents at year-end 2013 of EUR 17,180 million, compared with EUR 24,150 million at year-end 2012, a decrease of EUR 6,970 million from 2012 levels.

	2013	2012
	(EUR millions)	
Treasury bills and other eligible bills	574	518
Amounts due from/to banks	1,015	4,633
Cash and balances with central banks	13,316	17,657
Cash and cash equivalents classified as Assets held for sale Held for saled	2,275	1,342
Cash and cash equivalents at end of year	**17,180**	**24,150**

Capital Adequacy of ING Group

ING Group reports to the DNB 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 NN Group entities globally (regardless of local capital requirements); The total carrying value of the Voya stake is considered as required capital.
- Bank required capital based on applying the CRR/CRD IV 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.

	2014	2013(1)
	(EUR millions)	
BIS capital(2)	46,015	45,287
IGD capital	15,764	20,783
Group leverage (core debt)	-1,491	-4,910
Regulatory capital	**60,287**	**61,160**
Required capital banking operations	27,501	26,913
Required capital insurance operations	6,274	8,146
Total required capital	**33,775**	**35,059**
FICO ratio	178%	174%

1) The 2013 numbers have been restated to reflect the changes made in the IGD computation for NN Group NV and to adjust the ING Bank NV phased in numbers according to 2014 rules
2) ING Bank phased in

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

ING Bank 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 31 December 2014 compared to year ended 31 December 2013

At 31 December 2014 and 2013, ING Bank had EUR 10,683 million and EUR 13,509 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):

	2014	2013
	(EUR millions)	
Cash	12,222	11,920
Short dated government paper	677	574
Banks on demand	-2,036	1,015
Cash balance and cash equivalents	**10,863**	**13,509**

The EUR 12,829 million increase in ING Bank's operating activities, consist of EUR 16,613 million cash inflow for the year ended 31 December 2014, compared to EUR 3,784 million cash inflow for the year ended 31 December 2013.

The cash flow from operating activities was largely effected by the cash outflow from loans and advances caused by increased corporate lending and the cash inflow from Customer funds and other funds entrusted caused by increased Corporate deposits. In addition ING Bank NV participated in the targeted longer-term refinancing operations ('TLTRO') of the European central bank for an amount of EUR 5.7 billion. The TLTRO aims to stimulate lending to the real economy in the Eurozone

The cash flow from operating activities was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 17,803 million compared to a cash inflow in 2013 of EUR 24.387 million), cash inflows from Amounts due to and from Banks (EUR 6,714 million compared to a cash outflow in 2013 of EUR 19,666 million), a cash outflow of loans and advances to customers (EUR 12,935 million compared to a cash inflow in 2013 of EUR 8,514 million) and a cash outflow of trading assets and liabilities (EUR 53 million compared to a cash outflow in 2013 of EUR 9,389 million).

Net cash outflow from investing activities was EUR 10,840 million (2013: EUR 1,841 million cash inflow). Investments in available-for-sale securities was EUR 73,348 million and EUR 78,654 million in 2014 and 2013, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 60,098 million and EUR 72,221 million in 2014 and 2013, respectively.

Net cash flow from financing activities in 2014 amounted to a cash outflow of EUR 8,425 million compared to a cash outflow in 2013 of EUR 9,754 million. In 2014 repayments on subordinated loans and issued debt securities exceeded proceeds from new issuance of subordinated loans, borrowed funds and debt securities. In addition, dividend payment in 2014 amounted to EUR 1,225 million compared to a dividend payment in 2013 of EUR 2,955 million.

The operating, investing and financing activities described above resulted in a negative cash flow of EUR 2,652 million in 2014 compared to a negative net cash flow of EUR 7,811 million in 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

At 31 December 2013 and 2012, ING Bank had EUR 13,509 million and EUR 20,612 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):

	2013	2012
	(EUR millions)	
Cash	11,920	15,447
Short dated government paper	574	518
Banks on demand	1,015	4,633
Cash balance and cash equivalents	**13,509**	**20,612**

The EUR 15,307 million increase in ING Bank’s operating activities, consist of EUR 3,784 million cash inflow for the year ended 31 December 2013, compared to EUR 11,523 million cash outflow for the year ended 31 December 2012.

The cash flow from operating activities was largely effected by the cash inflow from loans and advances caused by repayments of mortgages, matured corporate bonds and the repayments of the Illiquid Asset Back up Facility loan. The cash flow from operating activities was largely affected by cash inflows from Customer deposits and other funds on deposit (EUR 24,387 million compared to a cash inflow in 2012 of EUR 21,334 million), cash outflows from Amounts due to and from Banks (EUR 19,666 million compared to a cash outflow in 2012 of EUR 21,187 million), a cash inflow of loans and advances to customers (EUR 8,514 million compared to a cash inflow in 2012 of EUR 1,130 million) and a cash outflow of trading assets and liabilities (EUR 9,389 million compared to a cash outflow in 2012 of EUR 16,583 million).

Net cash outflow from investing activities was EUR 1,841 million (2012: EUR 2,341 million cash inflow). Investments in available-for-sale securities was EUR 78,654 million and EUR 71,323 million in 2013 and 2012, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 72,221 million and EUR 73.441 million in 2013 and 2012, respectively.

Net cash flow from financing activities in 2013 amounted to a cash outflow of EUR 9,754 million compared to a cash outflow in 2012 of EUR 1,588 million. In 2013 repayments on subordinated loans and issued debt securities exceeded proceeds from new issuance of subordinated loans, borrowed funds and debt securities. In addition, dividend payment in 2013 amounted to EUR 2,955 million compared to a dividend payment in 2012 of EUR 2,125 million.

The operating, investing and financing activities described above resulted in a negative cash flow of EUR 7,811 million in 2012 compared to a negative net cash flow of EUR 10,770 million in 2012.

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Capital Adequacy of ING Bank

As at 1 January 2014, the CRR/CRD IV capital rules entered into force. Reference is made to Capital Management Note 2.2.2. The capital position table below reflects own funds according to the Basel III rules as specified in the CRR/CRD IV. As CRD IV will be phased in gradually until 2019, the table shows the CRD IV positions according to the 2019 end-state rules and the 2014 rules. This makes clear which items phase in directly, which phase in gradually and which not yet in 2014. In addition, ING not only reports these metrics for ING Bank, but as of the fourth quarter of 2014 also introduced this analysis for ING Group. During 2014, ING Group and ING Bank were adequately capitalised. The Company believes that presenting this ratio as of December 31, 2014 enhances the understanding of the Company's regulatory capital position. Please refer to page F-223 for a reconciliation of the fully loaded CET1 ratio to the phased in CET1 ratio.

ING Bank capital position according to CRR/CRD IV

(EUR millions)	Fully loaded 2014	Phased-in 2014	Phased-in 2013
Shareholders' equity (parent)	34,274	34,274	29,304
Difference between IFRS-IASb and IFRS-EU	3,790	3,790	3,501
Regulatory adjustments	-4,395	-4,808	-1,049
Available common equity Tier 1 capital	**33,668**	**33,256**	**33,854**
Additional Tier 1 securities (1)	5,727	5,727	5,123
Regulatory adjustments additional Tier 1	0	-1,883	-1,838
Available Tier 1 capital	**39,395**	**37,100**	**37,139**
Supplementary capital Tier 2 bonds(2)	9,371	9,371	8,653
Regulatory adjustments Tier 2	103	-456	-506
Available BIS capital	**48,869**	**46,015**	**45,287**
Risk weighted assets (3)	296,427	296,319	300,958
Common equity Tier 1 ratio	11.36%	11.22%	11.25%
Tier 1 ratio	13.29%	12.52%	12.34%
BIS ratio	16.49%	15.53%	15.05%

(1) Of which EUR 1,988 million is CRR/CRD IV compliant and EUR 3,739 million to be replaced as capital recognition subject to CRR/CRDIV grandfathering rules.

(2) Of which EUR 5,778 million is CRR/CRD IV-compliant and EUR 3,593 million to be replaced as capital recognition is subject to CRR/CRD IV grandfathering rules.

(3) The fully loaded RWA deviated from the phased-in RWA as a result of higher market values, the significant investments in Financial Institutions for thr Bank exceeded 10% of CET1 capital. Only the amount up to this limit (which is lower phased-in than fully loaded) is to be 250% risk weighted, while the excess is deducted.

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.

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 unrealised 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 2014, 2013 and 2012 is reconciled to shareholders’ equity as follows:

	2014	2013 (EUR millions)	2012
Shareholders’ equity	46,634	42,275	46,457
Difference between IFRS-IASB and IFRS-EU	3,790	3,501	4,846
Core Tier 1 Securities	0	1,500	2,250
Group hybrid capital	6,631	7,493	9,223
Revaluation reserves debt securities and other	-8,423	-1,680	-7,104
Adjusted equity	**48,632**	**53,089**	**55,672**

“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 unrealised gains and losses on available-for-sale debt securities and revaluation reserve crediting to policyholders of EUR -3,990 million in 2014, EUR -1,363 million in 2013 and EUR -4,843 million in 2012, the cash flow hedge reserve of EUR -3,877 million in 2014, EUR -1,878 million in 2013 and EUR -2,689 million in 2012, capitalised goodwill of EUR -1,060 million in 2014, EUR -1,160 million in 2013 and EUR -1,431 million in 2012 and defined benefit remeasurement of EUR 504 million in 2014, EUR 2,671 million in 2013 and EUR 1,860 million in 2012.

ING uses adjusted equity in calculating its debt/equity ratio, which is a 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 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 S&P’s to measure, compare and analyse 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 S&P’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 decreased to 3.0% in 2014 from 8.4% in 2013. The debt/equity ratio of ING Group between 31 December 2002 and 31 December 2014 has been in the range of 19.9% to 3.0%. 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. Historically, ING has targeted a maximum 15% debt/equity ratio for ING Group, but management aims to reduce the Group debt/equity ratio to ultimately 0% in the coming years. In accordance with its Restructuring Plan as presented on 26 October 2009, as insurance units are divested, ING Groep N.V. wants to reduce its core debt to zero, thereby eliminating the double leverage.

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Off-Balance-Sheet-Arrangements

See Note 50 of Note 2.1 to the consolidated financial statements.

	Total 2014	Less than one year	More than one year (EUR millions)	Total 2013	Less than one year	More than one year
Banking operations						
Contingent liabilities in respect of:						
- discount bills				1	1	
- guarantees	22,397	17,688	4,709	23,137	18,650	4,487
- irrevocable letters of credit	12,178	11,839	339	14,587	14,216	371
- other contingent liabilities	424	416	8	506	497	9
Guarantees issued by ING Groep N.V.	417		417			
Irrevocable facilities	82,345	52,133	30,212	85,058	58,133	26,925
Insurance operations						
Commitments concerning investments in land and buildings				144	108	36
Commitments concerning fixed-interest securities				140	62	78
Guarantees				2	2	
Other commitments				641	392	249
Total	**117,761**	**82,076**	**35,685**	**124,216**	**92,061**	**32,155**

Contractual obligations

The table below shows the cash payment requirements, due by period, from specified contractual obligations outstanding as of December 31, 2014 and 2013. Reference is made to Note 22. 'Other liabilities' in Note 2.1 for information about future payments in relation to pension benefit liabilities. Reference is made to Note 46. '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 to period	Total	Less than 1 year	1-3 years (EUR millions)	3-5 years	More than 5 years
2014					
Operating lease obligations	1,045	281	286	94	384
Subordinated loans of Group companies	11,297	889	860		9,548
Preference shares of Group companies	430				430
Debenture loans	126,352	53,599	27,974	15,997	28,782
Loans contracted					
Loans from credit insitutions					
Insurance provisions					
Total	**139,124**	**54,769**	**29,120**	**16,091**	**39,144**
2013					
Operating lease obligations	1,101	265	381	225	230
Subordinated loans of Group companies	9,107	105	1,570	1,139	6,293
Preference shares of Group companies	379				379
Debenture loans	127,727	49,890	27,705	17,082	33,050
Loans contracted	1,178	9	35	12	1,122
Loans from credit insitutions	3,042	2,762	60		220
Insurance provisions (1)	79,332	5,368	7,952	8,002	58,010
Total	**221,866**	**58,399**	**37,703**	**26,460**	**99,304**

(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 31 December 2013. 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.