Financial and regulatory environment

In 2013, the eurozone emerged from recession and embarked on a gradual and fragile recovery. Continuing weakness of domestic demand, combined with low inflation, prompted the European Central Bank to lower interest rates and consider further options. The Federal Reserve on the other hand had been considering the phase-out ("tapering") of its monetary asset purchases, given the progress of the US recovery. Financial markets were resilient in 2013, although the prospect of tapering hurt emerging markets.

During 2013, progress was made on a wide range of regulatory initiatives that had been set in motion after the financial crisis. Important legislative proposals were already underway to strengthen banks' capital and liquidity positions and to ensure the resolvability of banks. The decision in June 2012 to move towards a European banking union was followed up in 2013 by further work on the initiatives to create a Single Supervisory and Single Resolution Mechanism ("SSM" and "SRM") for the eurozone. The SSM was agreed upon in 2013 and is expected to become operational by November 2014. Although progress on regulatory change was substantial in 2013, several agreements and compromises that were reached on some of the key issues may hamper the realisation in the short term of a true level playing field. ING is concerned that, as a consequence, the single European banking market will remain fragmented and that this will continue to limit the ability of cross-border banks to support the recovery of the European economy.

SLOW ECONOMIC RECOVERY, BUOYANT FINANCIAL MARKETS

EUROZONE EMERGED FROM RECESSION IN 2013

After six consecutive quarters of negative growth, the eurozone emerged from recession in 2013. From the second quarter onward, the currency bloc embarked on a slow and gradual recovery. This revival was mostly export-led, as domestic demand in many European countries remained depressed by austerity measures and deleveraging. Eurozone inflation fell from 2% at the start of 2013 to around 1% at year-end. This was partly driven by declining contributions of food and energy prices. But inflation of other goods and services also fell, as the slack in the European economy remained substantial and kept labour costs low. Low inflation also prompted talk about deflation, and the European Central Bank (ECB) reacted with a rate cut in November. With the ECB's main refinance rate at 0.25% and the deposit facility at 0.0%, room for further conventional rate cuts was running out.

The US economy performed better, even despite fiscal headwinds in the form of sizeable tax increases and austerity measures, and a temporary government shutdown in October 2013. Negative effects on household income were offset by low interest rates that pushed debt service payments as a percentage of household income to their lowest levels in over 20 years. The US housing market also gathered steam, fuelled by record-low mortgage rates in early 2013. China recovered from the growth slowdown of late 2012, although growth seemed to be financed for a worryingly large part by credit. Economic and financial reforms are underway though.

TAPER PROSPECTS REALITY CHECK FOR OTHERWISE BUOYANT FINANCIAL MARKETS

Financial markets in developed economies had a good year, with stock indices up by double digits. It is difficult to overestimate the importance of the European Central Bank's Outright Monetary Transactions programme for the restoration of confidence in the eurozone. The gradual progress towards crisis resolution and banking union in Europe also helped to cement the positive sentiment. Financial markets shrugged off the Cyprus bank restructuring and political problems in various countries during 2013: spreads between European sovereigns continued to decline. In the second half of 2013, sentiment was also supported by the fact that the eurozone was emerging from recession.

Financial markets did react when the Federal Reserve announced it was considering to phase out its monthly asset purchases ("tapering") in May. While this did not bring forward a rate increase, emerging markets saw an outflow of capital and their equity, bond and currency markets experienced marked losses. This did not cause major problems though, as emerging markets' shock absorbers are now far stronger than before, with more flexible exchange rate regimes, more abundant official reserves and less debt in foreign currency.

ING GROUP FINANCIAL DEVELOPMENTS

ING Group had a successful year in 2013, delivering an improved underlying result while making significant progress on its transformation. Our underlying result before tax was EUR 4,400 million in 2013, up 17.1% from 2012. The improvement was mainly driven by a strong performance at ING Bank, which recorded a 21.6% increase in underlying pre-tax results, as well as an improved operating result for the ongoing business at NN Group which increased 6.4% in 2013.

The 21.6% increase at ING Bank mainly reflects a strengthening of the interest margin, a positive swing in credit and debt valuation adjustments and the absence of de-risking losses in 2013. This was partly offset by 7.9% higher underlying risk costs, while underlying expenses were almost flat despite higher pension costs and additional restructuring charges.

At NN Group, the operating result for the ongoing business rose 6.4%, mainly due to higher results at Netherlands Life. This was driven by a higher investment income, in combination with lower expenses reflecting the impact of the transformation programme.

In 2013, the net result of ING Group decreased by EUR 929 million to EUR 3,232 million. The net result was positively impacted by the above-mentioned increases in underlying result before tax of ING Bank and operating result of NN Group as well as by EUR 550 million improved non-operating results of NN Group's ongoing business. These positive impacts were more than offset by EUR 575 million one-off charges restoring the reserve adequacy of Japan Closed Block VA to the 50% confidence level and the EUR 1.5 billion decrease of net result from "Divestments, discontinued operations and special items". The EUR 1.5 billion decrease can be broken down as follows:

- In 2012, gains on the divestments amounted to EUR 1,612 million, while in 2013 the result on the divestment of ING's life insurance units in Hong Kong, Macau and Thailand was more than offset by the loss on the sale of ING Life Korea.
- The result from discontinued operations decreased EUR 574 million, mainly due to lower results from ING U.S. reflecting the 2013 sale of 43% of ING U.S., a lower investment margin at ING U.S., lower revaluations and higher losses on guaranteed benefit hedges, net of reserve changes. Furthermore, the sale of a number of Asian entities in 2013 also contributed to the decrease.
- The 2013 special items predominantly reflected costs for restructuring programmes, which are essential to reduce our future annual expenses. In 2013, special items amounted to EUR -182 million, compared with EUR -949 million in 2012.

Shareholders' equity decreased by EUR 5.8 billion, from EUR 51.8 billion at the end of 2012 to EUR 45.9 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 higher interest rates (EUR -3.2 billion), exchange rate differences reflecting the appreciation of the euro against most currencies (EUR -1.9 billion), the impact of the sale of 43% ING U.S. (EUR -2.5 billion) and the decrease in the net pension asset (EUR -0.9 billion). These negative impacts were partly offset by the addition of the net result (EUR 3.2 billion). Underlying net return on equity, calculated as underlying net result divided by average IFRS-EU equity, increased to 6.4% from 5.5% in 2012.

IMPORTANT DEVELOPMENTS IN REGULATION AND SUPERVISION

The most prominent development in 2013 was the agreement on the Single Supervisory Mechanism, which will result in a transfer of prudential regulatory powers from eurozone national authorities to the ECB. This will become effective in November 2014 and constitutes an important first step in creating a European banking union.
In general, progress was made with a wide range of other regulatory initiatives. Nevertheless, ING is concerned that several agreements that were made in 2013 are compromises that hamper the realisation in the short term of a true level playing field. As a consequence, the single European banking market will remain fragmented, which will continue to limit the ability of cross-border banks to support the recovery of the European economy.

BANK-WIDE REGULATION

Capital Requirements Regulation and Directive IV (CRR/CRD IV)

In 2013, the European Union adopted a legislative package to implement the Basel III agreement in the EU legal framework. This new package consists of the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR). CRR/CRD IV was officially agreed upon, allowing for the application of the Regulation on 1 January 2014. The Directive will have to be transposed into national law and because of this a few months delay is envisaged. ING is compliant with the requirements set in the CRR and is waiting for EBA (European Banking Authority) final technical standards to be approved to allow for full implementation. Other important key elements of the Basel III package are still subject to further consideration and calibration such as the liquidity ratios and the leverage ratio.

Banking Union: Single Supervisory Mechanism ("SSM")

In 2013, the SSM was agreed upon, whereby prudential regulatory powers will be transferred from eurozone national authorities to the European Central Bank (ECB). As a result, approximately 130 of the eurozone's largest banks will be directly supervised by the ECB from November 2014. In the opinion of ING the SSM constitutes an important first step in creating a European banking union. It will help to reduce the current inter-dependency between national governments and national banking systems, and at the same time will help restoring confidence and growth in the eurozone and the wider European single market. Moreover, it will contribute to eliminating uncoordinated national supervisory practices, which are restricting cross-border banks such as ING from transferring funds within the company and from financing the economy in the most efficient way.

Bank Recovery and Resolution Directive ("BRRD")

In December 2013, the BRRD was agreed upon which needs to be transposed into national law by 1 January 2015. It requires banks to create recovery and resolution plans, and for an ex-ante ("before the event") financed resolution mechanism to be set up. Moreover, the BRRD requires member states' legislation to allow for resolution authorities to use the bail-in tool in case of bank failure. ING has had its recovery plan in place since November 2012 and work on resolution planning is in progress in cooperation with DNB and the Dutch Ministry of Finance. The bail-in tool is an important mechanism in any future resolution scheme as it gives resolution authorities the power to write down claims of unsecured creditors of a failing institution and to convert these claims into equity. The instrument applies to unsecured liabilities with a number of exceptions, such as guaranteed deposits and secured liabilities (including covered bonds). The precise modalities of the bail-in rules are still under discussion. ING supports the bail-in rules as they are an important component of the new regulatory framework, aimed at reducing the possibility that tax payer money will be needed to bail-out institutions in future crises. Although it was originally foreseen that bail-in rules would apply from 2018, the EU agreed in December 2013 that they will take effect on 1 January 2016.

Contributions (Deposit Guarantee Scheme) and bank levies
On 1 February 2013, the Dutch State nationalised SNS REAAL, the fourth-largest systemically important bank in the Netherlands. The nationalisation, carried out under the Netherlands' 2012 law on bank intervention, resulted in shareholders subordinated debt (up to EUR 1 billion) holders being bailed-in. To reduce the amount of taxpayer money needed for the nationalisation, the government imposed a one-time levy of EUR 1 billion on Dutch banks as a contribution to the SNS nationalisation. This levy will need to be paid by the banks in 2014. To avoid a disproportionate financial burden for banks and in view of the ability of banks to lend to the economy, the introduction of the ex-ante Deposit Guarantee Scheme ("DGS") was postponed to 1 July 2015.
A number of countries in which ING operates have bank taxes in place. In 2013 the total amount of such taxes paid by ING amounted to approximately EUR 200 million. This included EUR 149 million of Dutch banking tax and approximately EUR 50 million of banking taxes in six other EU countries.

Remuneration
On 26 November 2013, the Dutch Ministry of Finance opened up a consultation on draft legislation on remuneration within the financial sector. The anticipated effective date of the legislation is 1 January 2015. The legislation introduces a cap for variable remuneration of 20% of fixed remuneration for staff covered by a Collective Labour Agreement ("CLA") in the Netherlands. The following exceptions are currently included:
- For staff in the Netherlands who are not exclusively covered by the CLA, the 20% cap does not apply on an individual basis, but it applies to the average across ING in the Netherlands.
- For staff that work predominantly outside of the Netherlands, but within the EU, there is an individual cap of 100% of variable remuneration for all staff.
- For staff that work predominantly outside the EU, there is an individual cap of 200% of variable remuneration for all staff, subject to shareholder approval and notification to the regulator.

The proposal also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses, and tightening of claw-back options.

European and local efforts to improve customer protection
In 2013, the European Commission (EC) continued its legislative efforts to improve consumer protection in financial services, particularly for mortgages, investment products and bank accounts. In addition to EU legislative proposals, various local initiatives to increase consumer protection took place. In the Netherlands, a general duty of care for financial services providers was introduced in the Financial Supervision Act on 1 January 2014. In addition, various regulators attempted to strengthen consumer protection by publishing regulations, guidance and best practices. The Financial Markets Authority ("AFM") continued its efforts to enhance client centricity within banks in the Netherlands. The AFM is also investigating whether some of the consumer protection instruments should be extended to small business clients of banks.

FINANCIAL MARKETS REGULATION
European Market Infrastructure Regulation ("EMIR")
One of the most significant regulatory developments in the financial markets in 2013 was the commencement of the phasing in of EMIR. The main goal of EMIR is to better protect parties to over-the-counter ("OTC") derivatives transactions, as well as the derivatives market as a whole. This EU regulation on OTC derivatives, central counterparties and trade repositories came into force in August 2012 and began to be phased in during 2013. Delegated acts for the Regulation entered into force in March 2013, requiring trade repositories to apply for recognition under EMIR and also requiring central counterparty clearinghouses to apply for authorisation under EMIR. ING has worked hard to comply with increased reporting requirements on outstanding derivative contracts. In addition, ING has helped clients meet EMIR's requirements.

Markets in Financial Instruments Directive ("MiFID")
MiFID is a European Union law that aims at harmonising regulation for investment services across the European Economic Area (EEA). MiFID first became effective in November 2007 and is now being revised to create MiFiD II. Among the main objectives of the revision are the aim to strengthen investor protection and more robust and efficient market structures. At the end of 2013, the negotiations between European Commission, European Parliament (EP) and Council of the European Union were their final stages. In anticipation of the new rules, implementation of MiFID within ING will gradually start in the course of 2014, with full implementation expected in 2016. As the Dutch government has developed national legislation that prohibits granting or receiving inducements for investment services from January 2014, the impact of MiFID II will be limited in this area. The full impact on ING's financial markets business has yet to be determined, but it is expected to be meaningful.

Benchmarks
In 2013, financial benchmarks such as LIBOR were at the centre of attention due to manipulation by banks of the submissions to these benchmarks. In 2013, the International Organisation of Securities Commissions ("IOSCO") and the European Securities and Markets Authority ("ESMA") issued principles for the benchmark setting process that ING fully underwrites. ING has been compliant with the IOSCO and ESMA principles in its submissions to benchmark panels such as "EURIBOR" and "EONIA". In September 2013, the EC published a legislative proposal for a Regulation on benchmarks which aims to address concerns about the integrity and accuracy of benchmarks by regulating administrators of benchmarks, contributors to benchmarks and benchmark users.

Bank structural reform
Throughout 2013, discussions on further structural reforms to the EU's banking market continued. In the summer, the EC held a consultation on the main options under consideration as a follow-up to the Liikanen report. The focus of the consultation was on the structural separation of certain trading activities in case the size of these activities compared to a bank's total activities exceeded certain thresholds. The EC is expected to come up with a legislative proposal in early 2014. Based on the Liikanen report (October 2012), the separation proposal should not negatively affect ING's business model. ING believes in the strength of the universal banking model, combining retail and commercial banking activities. The universal banking model brings major benefits in terms of risk diversification, capital and liquidity management and consumer choice, while fulfilling the needs of long-term customer banking relationships.
In June 2013, a Committee of Experts ("Commissie Wijffels") advised the Dutch government on the future structure of Dutch banking sector. The Committee presented recommendations on

how to make it more resilient and how to improve its ability to service the economy. Taking into account the Committee's recommendations, the Dutch government released a vision document on the Dutch banking industry in August 2013. The main features of this vision are the need for a higher leverage ratio of at least 4% in EU negotiations; a reduction in the maximum loan-to-value (i.e. mortgage loan to house value) to 100% in 2018, and 80% in the longer term; and further support, in principle, for a more co-ordinated EU approach towards regulating the industry.

Banker's oath
In 2013, members of ING's Supervisory and Executive Boards and a broad group of directors of various ING entities signed a financial institutions oath, commonly referred to as the "Banker's Oath". Since 1 January 2013 Dutch law requires that Supervisory and Executive Board members of financial institutions in the Netherlands take this oath and thus commit to a set of behavioural principles that reconfirms the industry's commitment to ethical behaviour.

RETAIL BANKING REGULATION

Mortgage lending
In early 2013, the Council of the European Union approved the Mortgage Credit Directive, which aims at preventing irresponsible lending and maintaining financial stability. The measure also standardises how loans are advertised to help borrowers compare them but allows member states to keep existing national regulation intact. The final text of the Directive was published in December 2013. The deadline for EU member states to transpose it into national law is expected to be mid-2015. ING offers mortgages in several European countries and will therefore have to comply with different regulations in each.

Payment accounts
In May 2013, the EC published a draft of the Basic Payment Accounts Directive. This Directive aims to increase the comparability of fees and services, and make it easier to switch accounts. The measure would also oblige banks to open a basic payment accounts for any EU resident who applies for one, irrespective of his or her financial condition. The legislative process is expected to be finalised before the European Parliamentary elections in May 2014, after which the Directive needs to be transposed into national law by mid-2015.
Depending on the adoption of cross-border switching and account opening measures, the Directive will have limited impact on ING's payments account processes. ING already offers payment accounts at transparent low fees in several EU member states and facilitates easy switching.

INSURANCE REGULATION

Solvency II
Throughout 2013, the European Commission, European Parliament and the Council ("the trilogue partners") continued their efforts to develop the capital adequacy framework for the insurance sector, Solvency II. In November 2013, the trilogue partners reached a milestone with an agreement on key elements of the framework, but several other important elements are not expected to be finalised until the second half of 2014. Solvency II's implementation is planned for 1 January 2016.

The European supervisory authority for insurers, "EIOPA", published "interim measures" for member states, explaining to national supervisors how they can translate certain elements of Solvency II into their national laws in 2014. The measures include requirements on the system of governance, an annual assessment of own risks, extensive supervisory reporting requirements and guidelines for a formalised process for internal model applications. As the interim measures are generally aligned with Solvency II requirements, implementation of these measures is part of our broader efforts to become Solvency II compliant.

ComFrame
ComFrame, short for Common Framework for the Supervision of Internationally Active Insurance Groups ("IAIGs"), is a global initiative started by the International Association of Insurance Supervisors ("IAIS") in 2010. It aims to develop methods for the group-wide supervision of internationally active insurance companies, established to create a comprehensive framework for supervisors to address group-wide activities and risks, and to foster global convergence. The IAIS continued its public consultation of ComFrame in 2013 and it is on schedule for adoption in 2018.
In October 2013, the IAIS said it would develop a risk-based global Insurance Capital Standard ("ICS"), using ComFrame as the vehicle for its implementation. ICS development will start in 2016, with implementation by 2019.

As ING is an IAIG, it is closely monitoring the development of ComFrame and ICS.

Consumer protection package
In July 2012, the European Commission published legislative proposals to improve consumer protection in financial services. With the package, the Commission aims to address lack of transparency, low awareness of risks and poor handling of conflicts of interest. The package is composed of three legislative proposals: a regulation on key information documents for Packaged Retail Investment Products ("PRIPS"), a revision of the Insurance Mediation Directive (IMD2), and better protection for buyers of Undertakings for Collective Investments in Transferable Securities ("UCITS") funds.

In 2013, the package was discussed in the European Parliament and the Council. The legislation may have a considerable impact on the distribution of insurance and retail investment products by setting higher standards for transparency and selling practices. ING will continue to monitor developments on the consumer package closely. Since we hold consumer protection in high regard, ING welcomes this initiative and will follow its further development closely.

Dutch solvency rules
During 2013, the Dutch Ministry of Finance developed legislation which adapts local capital adequacy rules for life insurance companies. The legislation, the so-called "Besluit Prudentiële Regels" ("BPR") 2014, became effective on 1 January 2014. BPR 2014 will leave the current calculation method of the Solvency I Wft ("Wet op het financieel toezicht') with the Ultimate Forward Rate ("UFR") ratio untouched, but introduces a new metric for discussion with the supervisor which will not be disclosed. This Theoretical Solvency Criterion ("TSC") needs to be met by the insurer. If the solvency position of the relevant NN Group life insurance entity is below the TSC, DNB is entitled to require that a declaration of no objection be obtained from DNB before making any distributions of capital (including dividends) and reserves to the Issuer and DNB is also entitled to require that the relevant entity submit a recovery plan.

Strategy

ING continues to focus on increasing customer satisfaction, simplifying its organisation and product offering, strengthening its financial position and solidifying the sustainability of its business model. This is taking place against the backdrop of fast-changing technology and customer expectations, subdued economic growth and an uncertain regulatory environment.

ING has substantially completed the separation of its banking and insurance operations. This is required by the European Commission, but ING also thinks it is in the interests of all stakeholders, especially of our customers. The main reason is that it simplifies the organisation. We made significant progress with our restructuring programme in 2013. As a result, we have now reached the final stage of this process. A refined and sharpened Bank strategy for 2014 and onwards will be presented in the first half of 2014.

STRATEGIC PRIORITIES AT THREE LEVELS

ING has strategic priorities at the Group, Bank and Insurance levels. All are ultimately in line with our mission: To set the standard in helping our customers manage their financial future. ING aims to deliver financial products and services in the way our customers want them: with exemplary service, convenience and at competitive prices.

ING Group's strategic priorities in 2013 were: strengthening our financial position, restructuring, repaying the remaining state aid and building both stronger and sustainable banking and insurance/ investment management businesses.

ING Bank's strategic aim is to be a strong, predominantly European bank for its customers. ING Bank wants to be a leading domestic full-service bank in attractive, stable home markets, as well as a leading commercial bank in the Benelux with a strong position in Central and Eastern Europe.

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

In the following, we will report on the progress that was made in 2013 on these strategic priorities.

STRATEGIC CONTEXT

At ING we believe that a focus on our customers is a good basis for contributing to the creation of a healthy economy and stable society. It gives clear direction to our employees and we believe that it helps to provide good returns for our shareholders.

Our goals are to help people and businesses build their future, to realise their ambitions and to help them manage their financial risks. We want to be a financial institution our customers are comfortable with and are eager to refer to friends, colleagues, business partners and family. We put the customer first, offering her or him superior experiences at attractive costs and giving employees opportunities to grow and go the extra mile for customers.

The strength of the company is, among other things, based on its relatively high customer satisfaction levels, solid financial position, multi-channel distribution strategy and international network. ING is a sustainability leader in its sector. Bank-specific strengths are a strong brand awareness in countries where we are active, and the fact that we are a pioneer in digital banking.

ING invests in building solid relationships with its customers, based on the quality of service and sound financials. We believe opportunities can arise if we continue to work hard on regaining trust, demonstrating that we care, explaining better why certain strategic choices are made and also on getting more out of the wealth of talent we have within our workforce.

Strengths	Weaknesses
• Positive recognition from customers in many countries for its banking and insurance services. • Solid financial position. • Multi-channel distribution strategy. • International network. • Sustainability leader in its sector. *Bank-specific* • Pioneer in digital banking. • Well-known, strong brand.	• Subdued economic growth in some of the core markets. • Financial sector has an unfavourable public image in many countries.
Opportunities	**Threats**
• Regaining trust and demonstrating care, especially towards customers. • Transparency. Explaining better why strategic choices are made. • Cultural change. Tapping more into the talents of employees. Further developing a transparent no-nonsense culture. *Bank-specific* • Frontrunner position in digital solutions give the Bank an edge in innovation.	• Ongoing uncertainty about regulatory changes. Lack of an international level playing field. *Bank-specific* • Possibly from new entrants from outside of the industry.

ING's solid foundations, based on a long legacy as a financial institution, give us an excellent starting position to face existing and future challenges, and to grasp opportunities to become a better company for all our stakeholders. Specifically on the banking side of the business, we strive to make optimal use of our leading position in digital banking.

STRENGTHENING THE FINANCIAL POSITION

ING places great importance on strengthening its financial position in order to put itself in the best position to facilitate the economy. In 2013 we gained financial strength. Capital and funding improved, our liquidity position remained strong, earnings remained resilient. However, risk costs went up slightly in a weak economic year in many of the markets in which we operate.

In January 2012, the Bank unveiled Ambition 2015, a set of aspirations that included increasing our capital. Attaining a core Tier 1 capital ratio under Basel III of at least 10% by 2013 was a target we managed to sustain throughout 2013. At year-end, it stood at 11.7% under Basel II and 10.0% on a fully loaded pro-forma basis under Basel III. The leverage ratio under Basel III was 3.9%, which is also in line with Ambition 2015 (4.0%) and already complies with the CRD IV threshold of 3.0% by 2015.

ING Bank is making clear progress on meeting the other regulatory CRD IV-requirements, and other aspects of Ambition 2015. For example, ING maintained a liquidity coverage ratio of more than 100% in 2013; a level we aimed at for 2015. Also, the targeted balance sheet optimisation at ING Bank is substantially complete.

ING Bank's underlying result before tax was mainly driven by 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. The profitability of ING Bank went up: the underlying return on IFRS-EU equity was 9.0% in 2013, which is higher than it was in 2012 (7.0%) and brings our 2015 target within reach (10 to 13%).

Our strong funding position enabled us to continue supporting our customers through lending in 2013.

Strong cost control continues to be a priority at the Bank in order to remain competitive and to be able to face external factors, such as high regulatory costs and bank taxes. The underlying cost/income ratio improved from 60.3% in 2012 to 56.8% in 2013.

Results at NN Group showed significant improvement in 2013, on an operating basis. The improvement reflects a higher investment margin following the partial transfer of assets and liabilities from WestlandUtrecht Bank to Nationale-Nederlanden Bank, lower expenses resulting from the transformation programme in the Benelux, improved results in the non-life business and lower funding costs.

STRONG PROGRESS ON RESTRUCTURING PLAN AND REVISION OF TIMELINES

During 2013, ING made progress on its Restructuring Plan to fully separate its banking and insurance and investment management activities. We reached several milestones, for example:

- A successful initial public offering (IPO) of the US insurance business (ING U.S.).
- Completion of the divestment of ING Insurance/IM Asia.
- An agreement in November 2013 with the EC on revised timelines for the European and Japanese Insurance divestments, which together formed ING Insurance and were renamed NN Group on 1 March 2014.

The preparations for the base case IPO of NN Group are progressing well, which is expected to allow us to go to the market in 2014.

DELIVERING ON RESTRUCTURING

ING continued to make strong progress on its restructuring programme in 2013, entering the end-phase of its transformation.

To meet the agreement with the European Commission (EC) of November 2012, ING had to divest more than 50% of its Asian and 25% of its US insurance and investment management activities by 2013. Both requirements were met:

- The divestment of the Asian insurance and investment management activities was effectively completed in 2013. ING Life Japan will be included in the scope of the NN Group base case IPO in 2014. In May 2013 ING U.S. started trading on the New York Stock Exchange under the ticker symbol VOYA. The successful sale of 38 million ING U.S. shares in October 2013 brought ING's stake down to 57%. The divested 43% was more than the required 25% and moved ING closer to meeting the required divestment of over 50% by the end of 2014. 100% has to be reached by year-end 2016.

ING was also able to reduce the core debt from EUR 7.1 billion at year-end 2012 to EUR 5.0 billion at year-end 2013. This was due to strong capital generation within ING Bank, allowing an upstream payment to the Group, as well as to proceeds from the US IPO and the sale of part of the direct stake in the Brazilian insurer Sul América S.A. (SulAmérica).
As ING has committed to eliminate core debt, proceeds from the divestments will be used to that end, provided they are not needed to maintain the leverage of the remaining insurance businesses. The value of the remaining 57% stake in ING U.S., the remaining stake

in SulAmérica and the European Insurance business will be more than sufficient to cover the residual core debt of the Group.

Other divestments announced and/or completed in 2013 were:
- ING's 26% interest in Vysya Life Insurance. Insurance units in Hong Kong, Macau and Thailand.
- ING's investment management business in Taiwan.
- ING's 49% stake in Korean insurance venture KB Life Insurance Company Ltd. (KB Life).
- ING's investment management business in South Korea.
- ING Life Korea, which was ING's wholly-owned life insurance business in South Korea.
- ING's 70% stake in the Malaysian investment management business.
- The Thai investment management units.
- ING's 50% stake in its Chinese insurance joint venture ING-BOB Life Insurance Company.
- ING's 33% stake in China Merchants Fund.
- The Mexican mortgage business.

The divestments in 2013 made ING a simpler, smaller and stronger company.

REVISION OF TIMELINES

On 6 November 2013 ING announced that, together with the Dutch State, it had reached an agreement with the EC on revised timelines for the European and Japanese insurance and investment management divestments:
- The timeline to divest more than 50% of these businesses remains unchanged at year-end 2015.
- The deadline to divest 100% of these businesses was accelerated from year-end 2018 to year-end 2016.
- The entity for the base case IPO of ING's European insurance and investment management activities, will include ING Life Japan. ING Life Japan is therefore to be divested in line with timelines for the European insurance and investment management businesses.

The reason for the amendments was that a standalone sale of ING Life Japan was not considered feasible in a manner that meets the demands of ING's stakeholders. After carefully exploring and evaluating the options available for the divestment of ING Life Japan, the outcome was its inclusion in the entity for the base case IPO. As part of the revised agreement, ING will accelerate the timeline as described to year-end 2016. This provides further clarity on the base case IPO of NN Group. The preparations for this are progressing well, which is expected to allow us to go to the market in 2014.

REPAYING STATE AID

ING is grateful for the support the Dutch State extended during the financial crisis years 2008 and 2009. In 2013 two major milestones were reached:
- An agreement was reached with the Dutch State on the unwinding of the Illiquid Assets Back-Up Facility ("IABF"). The facility was established in 2009, at the depth of the financial crisis, in order to reduce the risk and uncertainty for ING from a portfolio of US Alt-A mortgage securities. Market developments allowed the unwinding of the facility, including the start of the sale of the securities, with an expected cash profit for the Dutch State of approximately EUR 0.4 billion. Unwinding the IABF also freed up EUR 2 billion of ING Bank's risk-weighted assets and is expected to add approximately 10 basis points to ING Bank's core Tier 1 ratio. As a result of the unwinding, the restrictions as part of the IABF-agreement will no longer be applicable, including the right of the Dutch State to nominate two members for appointment to the Supervisory Board. The current State nominated member of the Supervisory Board will no longer have special approval rights regarding certain decisions and will have a position equal to the other members of the Supervisory Board. The unwinding was completed early 2014 and resulted in a cash profit for the Dutch State of EUR 1.4 billion.
- Strong capital generation at the Bank facilitated the payment of another tranche of core Tier 1 securities on 6 November 2013, reducing the principal amount of outstanding State aid to EUR 1.5 billion. ING received EUR 10 billion in state aid from the Dutch State in November 2008. Including the latest repayment in November 2013, ING has so far repaid EUR 11.3 billion to the Dutch State, including EUR 8.5 billion in principal and EUR 2.8 billion in interest and premiums. The final tranches of EUR 1.175 and EUR 1.075 billion are scheduled to be paid by March 2014 and by May 2015. The total annualised return for the Dutch State is expected to be 12.5%.

The total contribution to the Dutch State to date of EUR 4.9 billion includes premiums and interest on the repayment of core Tier 1 securities, the unwinding of the IABF, guarantee fees paid on the government guaranteed bonds issued in 2009 and bank levies.

ING also reduced the Dutch State guaranteed funding by EUR 3.6 billion to EUR 2.5 billion at year-end 2013. The remaining bonds matured in March 2014.

STRENGTHENING THE BUSINESSES

On the surface, the business of a financial institution such as ING may seem to be principally about money. In reality, ING's business is centred on people and trust. Only by acting with professionalism and integrity can we maintain our stakeholders' confidence and build the company's reputation. At the heart of our values are the ING Business Principles, which are the global standard for the behaviour expected of every employee at ING:

> We act with integrity.
> We are open and clear.
> We respect each other.
> We are environmentally and socially responsible.

Based on these Business Principles are the five ING "Customer Golden Rules" which form a key component in our approach towards customer suitability for our banking and insurance operations. ING has been using the Customer Golden Rules since 2009 and made them an integral part of our Product Approval and Review Process ("PARP"). Through this process, ING attempts to make sure that all newly developed and existing products and services meet the set requirements for doing business.

ING's 5 Customer Golden Rules
1. We strive to meet customers' needs throughout their life cycle. Through the right products and proper advice, we will keep customers happy.
2. We offer fair value to customers. Depending upon the customer's motivation, offering appropriate risk coverage or monetary value will be the only way to achieve sustained success.
3. We explain the risks, returns and costs of our products and services. Transparency and easy-to-understand language are crucial to our business.
4. We regularly assess products, services and sales practices. Only through constant checks and balances can we ensure that we are giving customers what they want and need most.
5. We work only with professional and licensed distributors. Our partners and distributors are a reflection of us. We will make sure that anyone selling our products is properly trained, qualified and licensed.

Two examples show how this translates into business practice:

- In the first quarter of 2013, ING took another step towards greater transparency by publishing its Environmental and Social Risk (ESR) Framework online. ING has applied its ESR policies to its business activities since 2003. ING's ESR Framework is applied at both the client and transaction levels at ING Bank. For NN Group the framework includes two policies that specifically address responsible investing: the ING Voting Policy and the ING Defence Policy. This ensures informed decision-making that is compliant with ING's Business Principles.
- In keeping with our clients' expectations, our sustainable products offerings grew across all our business lines in 2013. There was growth in renewable energy project finance, green lending, charity related savings accounts and sustainable mandates in our investment services.

ING's efforts were publicly recognised in 2013. ING was included in the DJSI World Index and the DJSI Europe Index. The DJSI World Index lists the top 10% of companies within the ordinary Dow Jones Index in terms of best-in-class performance across economic, environmental and social criteria. ING's inclusion in these indexes underscores its standing as one of the leading sustainable companies within the diversified financial sector. ING's 2013 score of 76 is 32 points higher than the sector average of 44 points, placing ING in the 99th percentile for the sector. This implies that only 1% of diversified financials score higher than ING. The improvement demonstrates ING's increased performance in integrating sustainability into its business activities.

For a more comprehensive overview of ING's sustainability strategy and performance, please see the ING Group Sustainability Report 2013.

The strength of a company is also determined by the quality of its workforce. ING is a great place to work, as surveys have shown. Among other factors, remuneration needs to be well-balanced to retain and recruit highly qualified staff. Therefore, ING ensures that its remuneration policy in general, but especially for senior management, the Executive Board and the Supervisory Board maintains a balance between short-term and long-term value creation. ING also makes sure that the remuneration policy is properly correlated with our risk profile and the interests of all stakeholders. A comprehensive overview of this framework can be found in the Remuneration chapter in this Annual Report.

BANK

The essence of our strategy is built around the customer. In our view customers basically want a solid bank they can trust. ING Bank focuses on the safety of depositors' money. We believe that ING Bank has strong deposit gathering capabilities and a good funding mix. ING aims to maintain a solid capital base, smooth and low-cost deposit raising and a careful, environmentally and socially responsible investment selection.

The customer is also looking for ease of use and corporate responsibility. The Net Promoter Scores ("NPS") methodology measures if customers recommend a company to their family and friends. ING Bank's NPS for 2013 shows that customer satisfaction with our services is quite high in the countries in which we are active. In 11 countries in which ING Bank operates with retail banking activities, it is number 1 or 2 in a peer group comparison.

ING Bank adapts to the changing needs of its customers, who increasingly want insight into their financial situation and future. Security of data is, of course, a prerequisite. Customers want to make more use of digital banking services and especially of mobile services. Therefore, ING has made mobile banking services available for retail customers in all countries where it is present. Now, millions of customers carry ING Bank in their pockets. This also contributes to a paperless delivery of our products and services, reducing our own and our customer's environmental footprint. The rapid shift to mobile is starting to move from the retail world into Commercial Banking as well.

To serve customers, ING Bank's strategy is also built around operational excellence and balance sheet optimisation. In 2013, we made progress towards operational excellence by improving our service and by streamlining our organisation and systems. In order to remain competitive and strong, cost control continues to be a priority at the Bank. ING Bank is used to operating in lean, competitive markets which has helped it become a leader in innovative distribution. It has a prominent 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. Nevertheless, there is room to further improve the efficiency of our processes. The mobile and digital revolution means customers now expect fast and simple solutions tailored to their individual needs and an offering that is constantly evolving.

In 2013, ING Bank further optimised its balance sheet, for example through balance sheet integration. This is to address the mismatch in the funding gap and surplus across all key countries within the Bank. The focus is on generating local lending assets for local funds entrusted, while growing global Commercial Banking assets. For more details, please see the Banking overview chapter in this Annual Report.

It is important to have motivated and engaged employees who are able to adapt quickly enough to the new demands of our customers and who can build and foster long-term relationships with them. ING Bank made progress in 2013 in being a top employer. A few examples demonstrate this:

- ING Bank's annual engagement survey was conducted in September and October 2013, and had a high response rate of 81%. Compared with 2012, the results show an increased confidence in the long-term future of the company and the

on-going commitment to customer focus. There were also improvements in career development and retention.
- ING Bank received "Great Place to Work" awards in Luxembourg, Germany and Spain. "Great Place to Work" is the world's largest employee satisfaction study, surveying employees at about 5,500 companies and conducted by "Great Place to Work". According to this survey, ING was the only financial institution in the top-25 of best multinational workplaces in Europe.
- ING Bank also received external recognition as a top employer in France, Poland, Belgium and Italy.

A refined and sharpened Bank strategy for 2014 and onwards will be presented in the first half of 2014.

INSURANCE/INVESTMENT MANAGEMENT

In September 2013, NN Group presented an overview of its business, strategy, capital framework, executive team and how it is preparing for the base case IPO in 2014. NN Group is a leading insurance and investment management company with a strong, predominantly European presence in 18 countries. With more than 12,000 employees, it offers retirement services, insurance, investments and banking to retail, SME, corporate and institutional customers. In 2013, its future brand name was revealed: NN.

In November 2013, it was announced that the base case IPO of ING's European insurance and investment management activities, will include ING Life Japan. More information is provided in the Insurance chapters in this Annual Report.

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

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

In line with its ambition to be a leading, responsible and customer-centric organisation NN Group introduced its new corporate values, which are connected to its roots, heritage and common purpose:
- "We care": We see our customers as the starting point of everything we do. We respect each other and believe working together leads to better results. We take our role in society seriously.
- "We are clear": We are easy to understand, transparent and accessible. We listen carefully and take action accordingly. We keep our promises.
- "We commit": We take responsibility for what we do. We act with integrity. We focus on our long-term objectives.

CONCLUSIONS AND AMBITIONS

ING focuses on implementing strategic measures that are robust under all circumstances, and on being flexible in order to be able to adapt to change.

In 2013, ING was able to make good progress on the strategic priorities for ING Group: strengthening the financial position, restructuring, repaying state aid and building both stronger and sustainable banking and insurance and investment management businesses.

ING reached several milestones that demonstrate clear progress on its Restructuring Plan to fully separate its banking and insurance and investment management activities. Most marked were the successful IPO of the US insurance business, further divestments of Asian insurance and investment management businesses and the announcement of the agreement with the EC on revised, quicker timelines for the European and Japanese Insurance divestments.

The preparations for the base case IPO of NN Group are progressing well, which is expected to allow us to go to the market in 2014. In 2013, the future brand name was revealed: NN. We believe NN Group has a strong position as a provider of retirement services, insurance, investments and banking in 18 countries and is well-positioned to capitalise on socio-economic trends.

Once the restructuring of the Group is complete by the end of 2016 and the Bank is a stand-alone business, ING Bank aims to produce a competitive return on IFRS-EU equity of 10% to 13% through low costs and with a low-risk balance sheet. ING aims to build on its leading position as a predominantly European bank with a strong international network focused on providing customers with consistently high-quality services. ING's main priority is to finance the economy, even in a volatile economic and regulatory environment.

All in all, in 2013 ING became simpler, stronger and better positioned to serve its customers in a sustainable way.

Capital management

Active capital management is an important factor in achieving ING's strategic and financial objectives. ING prioritises capital adequacy at all levels within the organisation, and value creation for our shareholders. Maintaining sufficient financial flexibility is especially necessary, given the rapidly changing regulatory landscape and the restructuring of ING which has entered its final phase.

ING Group capital structure

in EUR billion	2013	2012
Equity	**45.9**	51.8
Core Tier 1 securities	**1.5**	2.3
Core debt	**5.0**	7.1
Hybrids	**7.5**	9.2
Total capital Group	**59.9**	70.4

State repayment

in EUR million	2013	2012
Redeemed	**750**	750
Premiums & coupons	**375**	375
Total repaid	**8,500**	7,750
Total premiums & coupons	**2,781**	2,406
Outstanding	**1,500**	2,250

Contributions provided to / earned by the Dutch State, 2008-2013

in EUR million		
Core Tier 1 repayment	premiums & coupons	2,781
IABF	net transaction result	1,378
Government guaranteed bonds	guarantee premiums	375
Bank levies	recurring tax	324
Total		4,858

CAPITAL MANAGEMENT AT THREE LEVELS

ING Group continues to manage capital on a consolidated basis at three levels – ING Group, NN Group and ING Bank – because ING has set strategic objectives at each of those levels. Within ING Bank and NN Group there are different entities that have their own ratings and capital requirements. The overall approach of ING Group's Capital Management is to meet these requirements, but also to challenge them constantly to ensure optimal use of capital.

Capital Management is integral to the way the Group manages its businesses and legal entities. ING's Capital Management strategy is driven by the strategic aims of the Group and the risk appetite set by the Board. At all times, sufficient financial flexibility should be preserved to meet important financial objectives such as the repayment of the core Tier 1 securities. At the foundation of the capital plan are ING's risk appetite statements that determine target setting above the minimum regulatory requirements.

CAPITAL MANAGEMENT DEVELOPMENTS AT ING GROUP

The current focus areas at ING Group Capital Management are to repay the core Tier 1 securities to the Dutch State and to eliminate core debt. Repayment of the core Tier 1 securities will primarily be funded out of capital generated by ING Bank. The proceeds from divestments of insurance businesses will be used to eliminate core debt.

During 2013 core debt decreased by EUR 2.1 billion to EUR 5.0 billion. ING Bank N.V. paid a dividend to ING Group of EUR 1.5 billion to facilitate a reduction in the core debt. The proceeds of EUR 0.8 billion related to the partial sell-down of our stakes in ING U.S. and SulAmérica were also used to reduce core debt. This was offset by a conversion of EUR 1.0 billion of Insurance debt taken up from ING Group into equity, in preparation of the base case IPO.

In November 2012, ING Group made a commitment to repay the Dutch State the remaining core Tier 1 securities in four equal tranches of EUR 1.125 billion each, subject to approval from the Dutch central bank (DNB). The first two of these tranches of EUR 1.125 billion were repaid in November 2012 and November 2013. As announced on 6 November 2013 and as agreed with the European Commission, the net present value of the financial benefits realised through liability management actions (EUR 50 million) will be added to the repayment of March 2014. The final tranche will therefore be repaid by May 2015 at a total cost of EUR 1.075 billion. After this final payment ING will have repaid the EUR 10 billion of State aid from 2009 at a total cost of EUR 13.5 billion, providing the Dutch State with an internal rate of return of 12.5%.

At the end of 2013, we also reduced our State support by unwinding the Illiquid Assets Back-up Facility ("IABF"). Since then, the Dutch State has sold the remaining USD 11.5 billion of securities in the portfolio through three auctions for an average price of 77.3%. The unwinding resulted in a cash profit for the Dutch State of EUR 1.4 billion. As a result of the unwinding, the restrictions as part of the IABF agreement will no longer be applicable.

The total contribution to the Dutch State to date of EUR 4.9 billion includes premiums and interest on the repayment of core Tier 1 securities, the unwinding of the IABF, guarantee fees paid on the government guaranteed bonds issued in 2009 and bank levies.

During 2013, ING Group received dividends from ING Bank and NN Group which it used to reduce core debt. In the second quarter, NN Group paid a dividend to ING Group of EUR 775 million; this included the EUR 0.6 billion proceeds from the IPO of the US Insurance business, ING U.S. (Voya) and proceeds from the sale of part of the stake in the Brazilian insurer Sul América S.A. (SulAmérica). In addition, ING Bank paid a dividend to ING Group of EUR 1.5 billion to facilitate a further reduction of the Group core debt. Other dividend flows from ING Bank to ING Group in 2013, next to the dividend for the core Tier 1 repayment of November, were a EUR 330 million dividend payment to finance the capital injection into Nationale-Nederlanden Bank.

The remaining stake in ING U.S. was transferred to ING Group from NN Group on 30 September 2013. The subsequent sale of another tranche of 15% shares in ING U.S. took place in October. This reduces the ING Group's stake to approximately 57%. The sale proceeds were EUR 800 million and will be used to reduce core debt at the Group.

At the end of 2013, another tranche of the SulAmérica stake was sold by ING Group. The proceeds of EUR 110 million were upstreamed to ING Group as a dividend payment to further reduce core debt. Early 2014, ING closed the sale of a subsequent tranche of the SulAmérica stake to Swiss Re. The proceeds of EUR 180 million brought ING's stake to 9.7%.

Finally, ING Group converted EUR 1,000 million of intercompany debt with NN Group into equity, to help prepare the NN Group balance sheet for the planned IPO (initial public offering) in 2014. This increased core debt by the same amount. During the whole of 2013, the net capital flows enabled ING Group to reduce the core debt significantly from EUR 7.1 billion at the end of 2012 to EUR 5.0 billion at the end of 2013.

ING took actions in 2013 to reduce volatility in IFRS equity:

- The ING Pension Fund became financially independent on 1 January 2014, reducing volatility for ING Group, ING Bank and NN Group.
- NN Group refined the market interest rate assumption that is used in determining certain components of the insurance liabilities for the separate account pension business in the Netherlands in the fourth quarter of 2013.

NN Group moved towards fair value accounting on the reserves for Guaranteed Minimum Death Benefits of the Japan Closed Block VA in the first quarter of 2014.

CAPITAL MANAGEMENT DEVELOPMENTS AT NN GROUP

The most important development during 2013 was the successful IPO of 28.8% of Voya in May and the subsequent sell-down to 57% in October. Total proceeds of these transactions amount to EUR 1,433 million and were used to reduce core debt at ING Group. Since the initial IPO price of USD 19.50, the share price has seen a strong performance ending the year at USD 35.15. The value of the remaining stake is EUR 3.8 billion. From 30 September the remaining stake has been directly held at the Group level.

During the year, ING was able to close the divestment of its life insurance units in Hong Kong, Macau and Thailand. On 24 December, ING closed its divestment of ING Life Korea. After exploring and evaluating the options for the divestment of ING Life Japan, the conclusion was that a standalone sale of this business was not feasible so it will be included in the NN Group IPO. The base case scenario for NN Group is to become a standalone business through an IPO in 2014. The timing will depend on market conditions, readiness and performance. To be ready for an IPO NN Group needs to be capitalised in line with its peers. Another key requirement is that NN Group has access to the debt markets on a standalone basis with its own ratings, whereas financial entanglements with ING Group entities need to be at arm's length.

For more details, see the Strategy and Insurance overview chapters in this Annual Report.

CAPITAL MANAGEMENT DEVELOPMENTS AT ING BANK

ING Bank manages its capital position primarily based on its published core Tier 1 ratio, which is the main constraining factor and the most widely used variable to assess the capitalisation of banks. The published ratio up till now was the Basel 2.5 ratio, but at the start of 2014 it moved to the Basel III ratio. ING Bank has set an ambitious target for its core Tier 1 ratio of 10% under Basel III, based on ING's risk appetite and which compares well to its peer group. In 2013 it achieved that ratio on a fully loaded pro-forma basis.

ING needs to take into account other constraints, including:

- Other regulatory capital requirements: such as the amount of additional capital, lower Tier 2 capital, the impact of the Basel I floor and the leverage ratio (as part of Basel III).
- Economic capital requirements: although it is currently not a constraining factor, economic capital is used to manage the Bank's risk profile and to set limits.
- Rating agency considerations: each rating agency provides a different analysis and specific topics may need to be addressed.

ING Bank's capital position has been significantly strengthened over the last few years. During 2013, capital generation was again strong, enabling ING Bank to pay EUR 3.0 billion in dividends to the Group. Apart from the EUR 1.5 billion extraordinary dividend in the second quarter, these dividends pertained to a transfer of EUR 330 million into Nationale-Nederlanden Bank and the repayment of EUR 1,125 million of core Tier 1 securities in November.

In addition, ING Bank issued USD 2 billion CRD IV-compliant Tier 2 securities. Next to that, ING Bank called its USD 2 billion 8.5% Tier 1 hybrid on 15 December 2013 and executed a successful exchange offer on EUR 4.7 billion of existing Tier 2 securities for new CRD IV-compliant Tier 2 securities. The pick-up of this transaction came out at 55% and resulted in EUR 2.6 billion extra Tier 2 capital.

The unwinding of the IABF added approximately 10 basis points to ING Bank's core Tier 1 ratio. At the end of 2013, ING Bank's core Tier 1 ratio was strong at 11.7%. The fully loaded pro-forma Basel III core Tier 1 ratio at the end of 2013 stood at 10.0%, while the phased in ratio came out at 10.7%.

Over the coming years the guiding principles for ING's capital management will be cash capital generation, optimising the capital structure and financial flexibility. ING Bank believes that it will enter the Basel III era well-prepared with a strong capital position to withstand financial market challenges, new regulations and weak economic conditions.

Risk management

Like every financial services company, ING is exposed to a variety of risks which can have a negative impact. As a financial intermediary performing a "transformation" function, ING cannot operate without taking measured and managed risks. Therefore, strong and integrated risk management in the daily business activities and strategic planning is a must for sustainable value creation. An important element of strong and sustainable risk management is transparency which is reflected in the further enhancement of our risk disclosures.

The essence of our business is transformation, which takes many forms and serves various customer needs. In our retail banking operations, for example, we transform on-demand entrusted deposits into long-dated mortgage loans. Through our payments and cash management operations we make money available when and where customers need it. Geographic transformation takes place through our international commercial banking network when we help corporate customers fund their international business plans. Our insurance business provides products and services in retirement services, insurance, investments and banking to help customers secure their financial future.

THREE LINES OF DEFENCE

The key objective of risk management at ING is to make sure that all risks are managed in the best possible way for all relevant stakeholders. To this end, we have built a strong risk culture that supports appropriate behaviours and judgements within a strong risk governance and a comprehensive risk appetite framework. As part of this ING applies a "three lines of defence" governance model for risk management, whereby ownership for risk is taken at three levels in the organisation.

The commercial departments form the first line of defence and they have primary responsibility for the day-to-day risk management. They originate loans, deposits, insurance and wealth management products and other products to help our customers manage their financial future. They know our customers well and are well positioned to act in both the customers' and ING's best interest. The second line of defence consists of oversight functions with a major role for the risk management organisation headed by the chief risk officer (CRO). The membership of the CRO on the Bank and Insurance boards ensures that risk management issues are heard and discussed at the highest level, thus establishing the appropriate tone at the top. The CRO steers a functional, independent risk organisation, which supports the commercial departments in their decision-making. Also importantly, it has sufficient countervailing power to prevent risk concentrations and other forms of excessive risks. The third line of defence is the corporate audit function, which independently assesses and ensures the functioning and effectiveness of the first two lines.

MANAGING CHANGES

The essence of risk management is the power to limit the impact of unfavourable events, being either expected or unexpected. Within ING Bank we continuously challenge understanding, measurement, and management of risk using advanced technology and common sense in a manner that supports our strategy and retains trust among all our stakeholders. This is becoming more important as the world in which we operate changes rapidly.

With respect to developments in financial regulation and accounting standards, ING is following these closely and is taking action to ensure the Bank and Insurance units can cope with the changes. In 2013, ING Bank took further steps to prepare for the improved regulatory capital and liquidity framework for banks – Basel III, and within the EU, CRR/CRD IV – and is well positioned to operate under this new framework. Furthermore, the Bank supports the European Commission's creation of a banking union for eurozone banks, where the Single Supervisory Mechanism and the Single Resolution Mechanism will strengthen banks. NN Group has strengthened the balance sheet by ensuring the business becomes less susceptible to the market environment. In addition, the Insurance company has continued preparations to ensure compliance with forthcoming Solvency II regulations.

Both within the Bank and the Insurance company, ING has a risk appetite framework in place that projects and restricts the impact of adverse markets on ING's capital and liquidity position, based on a number of different risk metrics. An important element of such a risk appetite framework is the monitoring and reporting, which not only includes internal reporting but also external disclosures. Therefore, in 2013 the Bank reaffirmed its commitment to the Enhanced Disclosure Task Force ("EDTF"), by extending the implementation of the EDTF recommendations. ING is a member of this taskforce, which consists of a collaboration between users and preparers of financial reports, such as global financial institutions, investors, rating agencies and external auditors. In addition, ING increasingly conducts company-wide and portfolio-specific stress tests as a supplementary tool to assess resilience to adverse market conditions and to act upon if mitigating actions are deemed necessary. Customer behaviour and demographics have an important bearing on risk management and are consequently modelled and incorporated in our risk appetite framework. Given the continuously changing environment, the underlying assumptions are regularly reviewed, as are all relevant metrics.

Despite some signs of recovery, the weak macroeconomic environment persisted through 2013. Against this backdrop, ING's risk position continued to hold up well. This position was driven by active risk management, but also by on-going restructuring and reform programs in both the banking and the insurance businesses. Both the Bank and the Insurance operations continued to optimise and de-risk their balance sheet. The total exposure in the GIIPSC (Greece, Ireland, Italy, Portugal, Spain and Cyprus) countries decreased by EUR 5.5 billion to EUR 62.3 billion. In addition, the Bank continued to transform its debt securities portfolio into a liquidity book as part of the strategy to optimise the balance sheet.

The weak economic environment continued to contribute to elevated levels of risk costs in 2013, while the percentage of non-performing loans increased to 2.8% which represents EUR 15.9 billion lending credit outstanding. The additions to the provisions for loan losses rose by 8% year-on-year to EUR 2,289 million, resulting in ING Bank's stock of provisions rising to EUR 6.2 billion at the end of 2013. ING Bank's overall provision coverage ratio defined as the stock of provisions divided by the non-performing loans, improved from 36.9% at year-end 2012 to 38.6%. Next to additional provisioning, several other mitigating actions were taken. In 2013, the Bank further included the impact of the deteriorated market circumstances in the regulatory capital models by including recent observations in the various portfolios. Despite these measures the Bank maintains a strong capital position, with the Bank's core Tier 1 ratio on a fully loaded Basel III basis remaining stable at 10.0% at year-end 2013, meeting ING's Ambition 2015. Other contributing factors were strong capital generation, selective de-risking and divestments. The strong capital position enabled ING Bank not only to repay another tranche to the Dutch State, but also allowed ING Bank to use capital to further reduce the Group's core debt. Further, in 2013 DNB performed an Asset Quality Review for commercial real estate primarily focusing on relevant income producing real estate portfolios. Provisions and Pillar I capital levels for ING Bank for the portfolios in scope were in line with the results of the Asset Quality Review.

The Bank improved its funding profile and ensured its liquidity position stayed within regulatory and internal targets. The full-year 2013 long term debt issuance totalled EUR 25.7 billion compared with EUR 33.1 billion issued in 2012. The issuance volume was lower due to a combination of an asset growth slowdown and increasing funds entrusted. As a result, ING Bank's loan-to-deposit ratio, excluding securities that are recorded at amortised costs in loans and advances and excluding the IABF government receivable, improved in 2013 from 1.13 at 2012 year-end to 1.04%, thereby already complying with ING's 2015 Ambition of below 1.10.

Over the year, NN Group strengthened its balance sheet by refining asset/liability management to optimise risk-reward trade-offs. As a result, the Insurance business is less susceptible to market movements and is well positioned for selectively increasing investment returns. In addition, with the implementation of Solvency II expected in 2016 – following agreement on Omnibus II – NN Group has continued preparations to comply with Solvency II strengthening risk models, risk assessment and risk governance. Non-financial risk issues continuously demand our attention since they can seriously impact the functioning of our different businesses. These issues differ for each business activity and require tailored approaches to counter them. ING, for example, monitors possible new fraud methods and practices that can emerge following the introduction of new retail payment methods and products, and continues to expand anti-fraud programmes in our insurance and lending acceptance processes. A concrete action has been the implementation of geo-blocking in the Netherlands, whereby debit cards are blocked outside the EU unless the customer requests otherwise. In combination with a new type of chip integrated into cards this has significantly mitigated the risk of criminal skimming activities. Furthermore, as a result of lessons learned from other events, such as the manipulation of financial benchmarks, ING Bank is strengthening its own methodologies and procedures.

The growth of electronic distribution and communication channels has increased the speed and convenience with which our customers can conduct their banking business with us. We are committed to providing this convenience without compromising security standards. ING has implemented and continues to implement comprehensive prevention, detection and responsive measures to defend its customers, its information and its systems against cyber attacks and reduce the level of any losses. The Distributed Denial of Service ("DDoS") attacks on (Dutch) banks in April 2013 made it clear that the investments ING Bank is making in this domain are more necessary than ever and deliver positive results.

By virtue of its function as a financial intermediary ING plays an important role in society. We are continuously developing our products according to our customers' changing demands and ensure that they comply with our proper values and principles, through, for example, sales suitability programmes. As part of its risk culture, ING continued refining the integrated sustainability objectives in its business strategies and activities and managing the related social and environmental risks. ING took another step towards greater transparency in 2013 by publishing its Environmental and Social Risk (ESR) Framework online, which includes ESR policies that ING has applied to its business activities since 2003 and further expanded in 2013. Furthermore, in line with European Union requirements, risk management plays an important role in evaluating the performance and determining the remuneration of senior management, ensuring that remuneration is properly correlated with our risk profile and the interests of all stakeholders.

All these changes make the company stronger, simpler and more sustainable as it focuses on retail banking in Europe, its world-class commercial banking network, and being a preferred supplier of protection products for our Bank and Insurance customers. A comprehensive, more detailed chapter on ING Group's risk management practices is contained later in this Annual Report.

Information technology

Information technology (IT) has vastly transformed the way both the banking and insurance industries interact with their customers. Mobile, particularly in banking, and direct channels in general have become a significant force in distribution. Increasingly, the innovative use of technology will be essential in creating a superior customer experience and will more and more play a leading role in the way ING does business. By continuously investing in innovative technology, developing superior IT skills and putting the customer's interest first in everything we do, ING aims to distinguish itself as a leading financial services company.

Information technology plays a crucial role in ensuring ING remains a competitive and an innovative financial services player. It underpins ING's banking and insurance business propositions.

In 2013, new and existing IT projects supported ING in its strategy to be a strong, simple and sustainable business.

SEPARATION

Both IT departments at the Bank and the Insurer continued to work on separation projects in the IT Readiness Program which began in 2010, and which was established because of the planned separation of ING Group's Bank and Insurance operations into standalone businesses.

By the end of 2013, the separation of Bank and Insurance IT systems was almost complete. Both the Bank and Insurance worked towards completing the last projects required to complete disentanglement. From early January 2014, the Bank will no longer be involved in meeting the IT infrastructure needs of Insurance (with the exception of Insurance Belgium). In the process hundreds of servers and internal connections were decommissioned. A new Insurance/Investment Management data centre was established, more than 700 applications have been migrated and a new network has been put in place with additional security capabilities and services. In addition, a new workplace environment for Insurance/Investment Management was established which hosts 10,000 users.

BANK

At the Bank, ING announced its new IT strategy "Creating value for our customers through six strategic pillars – the power of IT." The strategy is aimed at meeting customer needs such as reliability, security and customer centricity by being agile, efficient and working collaboratively.

The new strategy is in line with ING's vision that technology and innovation play a crucial role in the future of ING Bank.

ING aims to further strengthen its ability to replicate applications and reuse solutions across different countries and business units. An example of this was the creation of responsive websites (no matter what device customers use, the content of the site will always fit perfectly on the screen) in several countries, which was developed through sharing knowledge, applications and expertise across countries.

The IT department remains committed to further embedding an agile way of working throughout its whole organisation as a core principle in the way it works, because ING's aim is to respond swiftly and efficiently to changing customer demands. Also, IT will continue to further automate IT processes, where possible. This results in products and services coming to market faster and at lower IT cost.

ING began a programme involving outside experts and ING resources to further strengthen ING's resilience to cybercrime attacks and will bring this to a higher level and make it a continuous point of attention. In 2013, in the Netherlands, ING Bank came under a serious Distributed Denial of Service ("DDoS") attack, causing service outage and hindering access to online banking for customers. ING Bank regretted the temporary loss of service and worked intensively to defend its infrastructure and to make it more resilient to DDoS attacks, not only in the Netherlands but on a global scale. In parallel, it worked with the Dutch justice department to investigate the source of the attacks.

ING Bank finalised the construction of a new data centre in Roosendaal, which will enable the consolidation of data centres in the Netherlands and in Commercial Banking.

INSURANCE

Information technology plays a crucial role in supporting NN Group as a leading insurance and investment management organisation. In 2013, NN Group made significant progress in restructuring its operations in preparation for a standalone future.

The IT department worked towards laying the foundation for Insurance's independent future. The IT strategy (excellent technology products and services, collaboration across the value chain and efficient and effective operations) was refined during 2013 and a multi-year IT transformation programme has been launched to support the strategy. The programme's aim is to restructure the IT environment so it becomes even more effective and efficient in support of the NN Group businesses and their customers into the future.

Security and stability of IT systems remains paramount. Armed with new insights into bolstering websites following the DDoS attacks on ING Bank in the Netherlands, websites and portals were boosted against external threats. IT maintains a strong focus on enhancing IT security, resulting in effective and integrated risk mitigation, and to also stay ahead of security fraud developments. As multi-channel distribution and the importance of client-facing applications are increasing, an improvement programme was initiated to increase system availability. The programme will result in significantly greater availability for both internal and external users from the first quarter of 2014.

In 2013, Investment Management successfully completed its two-year programme to establish a standardised global platform for front, mid and back office operations. Most investment centres across three continents now use this platform. It has led to a significant simplification of the IT landscape for Investment Management. In 2014, Investment Management intends to introduce direct execution, where customers can make buy/sell transactions and view their portfolios online.

Improving the customer experience is a core priority at NN Group. In Europe outside the Netherlands, IT worked in conjunction with the business to introduce a direct servicing channel. It will enable customers to communicate directly with ING anytime and anywhere.

Within Nationale-Nederlanden Bank, NN Group invested in portals to enable more straight-through processing and to also streamline their use. It also invested in Customer Relationship Management tooling and analytics, to among other things, personalise the customer experience.

Banking overview

MANAGEMENT BOARD BANKING on 31 December 2013

R.A.J.G. (Ralph) Hamers
chief executive officer
J.V. (Koos) Timmermans
vice-chairman
P.G. (Patrick) Flynn
chief financial officer
W.F. (Wilfred) Nagel
chief risk officer
W.L. (William) Connelly
CEO Commercial Banking
C.P.A.J. (Eli) Leenaars
CEO Retail Banking International
H. (Hans) van der Noordaa
CEO Retail Banking Benelux

Financial overview*		
in EUR million	**2013**	2012
Total underlying income	**15,305**	14,313
Underlying operating expenses	**8,694**	8,638
Underlying additions to loan loss provisions	**2,288**	2,121
Underlying result before tax	**4,323**	3,554
Underlying interest margin	**1.42%**	1.32%
Underlying cost/income ratio	**56.8%**	60.3%
Client balances: net production funds entrusted (EUR billion)	**27**	23
Client balances: net production lending (EUR billion)	**6**	0
Underlying risk costs in bp of average RWA	**83**	74
Risk-weighted assets (year-end, in EUR billion, adjusted for divestments)	**283**	276
Underlying return on equity based on IFRS-EU equity	**9.0%**	7.0%
Underlying return on equity based on 10% core Tier 1**	**11.7%**	8.8%
Employees (FTEs, year-end, adjusted for divestments)	**63,805**	65,173

* Underlying numbers are derived from IFRS-EU, excluding the impact of divestments and special items
** Underlying after tax return divided by average equity based on 10% core Tier 1 ratio

Underlying income		
in EUR million	**2013**	2012
Retail Banking	**10,162**	9,090
Commercial Banking	**4,994**	4,963
Corporate Line Banking	**149**	260
Total Banking	**15,305**	14,313

Underlying result before tax		
in EUR million	**2013**	2012
Retail Banking	**2,603**	1,963
Commercial Banking	**1,817**	1,635
Corporate Line Banking	**-97**	-44
Total Banking	**4,323**	3,554

Europe's weak economy and new financial regulations made it a difficult year for the banking industry, but ING Bank still produced a strong result in 2013. The Bank continued to be involved in ING Group's restructuring programme, worked hard to optimise its balance sheet, and announced more cost reductions in Retail Netherlands, ING Belgium and Commercial Banking at the beginning of 2013. Further progress was made on customer centricity, operational excellence and being a top employer.

FINANCIAL DEVELOPMENTS

The underlying result before tax (excluding the impact of divestments and special items) 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.

Total underlying income rose 6.9% to EUR 15,305 million in 2013, from EUR 14,313 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 WestlandUtrecht Bank ("WUB") assets to NN Group, and lower interest results in Bank Treasury following a lengthening of the Bank's funding profile. Commission income rose 3.3% to EUR 2,244 million. Investment and other income strongly improved to EUR 1,257 million, from EUR 477 million in 2012. This improvement was mainly explained by 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 both items, investment and other income was 25.8% lower, 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 Nationale-Nederlanden Bank and lower impairments on real estate development projects. The underlying cost/income ratio improved to 56.8%, from 60.3% in 2012.

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. The underlying return on IFRS-EU equity was 9.0% in 2013, up from 7.0% in 2012.

WHERE WE OPERATE*

ING Bank builds on its international network from its Northern European home markets, capitalising on its leadership position in gathering savings, multi-channel distribution, simple propositions, cost leadership and marketing.

* ING has an equity position in TMB Bank in Thailand and Bank of Beijing in China.

BUSINESS DEVELOPMENTS

It was a year of continued challenges for ING Bank and for the banking industry as a whole. The external environment remained challenging, which was felt by the Bank in the form of continued high risk costs and weak demand for lending; however, net inflow of funds entrusted, mainly retail, remained solid. Towards the end of 2013 the European economy showed some signs of improvement but it remains vulnerable. Despite the difficult conditions, ING Bank produced a solid result in 2013.

International investor sentiment towards Europe improved in 2013, illustrated by growing interest in bank shares and more capital flows back into the eurozone. The banking sector became less dependent on finance provided by funding from the European Central Bank (ECB).

REGULATION AND SUPERVISION

New regulatory requirements imposed on Europe's banks have resulted in higher expenses and higher costs for capital and liquidity. An important development in 2013 was the agreement on the Single Supervisory Mechanism ("SSM") for banks in the eurozone, which will involve a transfer of prudential regulatory powers from national authorities to the ECB. About 130 of the eurozone's largest banks, including ING Bank, will be directly supervised by the ECB by the end of 2014.

ING regards the SSM as an important first step in creating a European banking union. It will help eliminate uncoordinated national supervisory practices, which are restricting cross-border banking groups like ING from making internal funds transfers and financing the economy.

Another key regulatory milestone was the agreement on the Capital Requirements Regulation/Capital Requirements Directive ("CRR/CRD IV"), the implementation of Basel III in the EU. An increase in the quality and quantity of capital is a central element of this new regulatory framework, as is the introduction of a harmonised liquidity framework. The rules came into force in January 2014, although important elements are subject to further consideration and calibration, such as the liquidity and leverage ratios.

Important steps were also taken by the European authorities in crisis management regulation, in particular on the "bail-in" proposals. The bail-in tool gives resolution authorities the power to write down the claims of unsecured creditors of a failing institution and to convert those claims into equity. This applies to unsecured liabilities with a number of exceptions, such as guaranteed deposits and secured liabilities (including covered bonds). Although it was originally foreseen that bail-in rules would apply from 2018, we anticipate they could be introduced as early as 2016.

RESTRUCTURING

ING Bank continued to be involved in preparations for the NN Group IPO as a base case. Relevant parts of WestlandUtrecht Bank ("WUB") have been transferred to Nationale-Nederlanden Bank as part of amendments to the EC Restructuring Plan announced in November 2012, paving the way to divest these operations as part of the NN Group IPO. In May, ING Bank paid the Group a dividend of EUR 1.5 billion to facilitate the reduction of the Group double leverage. Early July, ING Bank paid a dividend of EUR 330 million to facilitate the capital injection into Nationale-Nederlanden Bank after the transfer of WUB. Continued strong capital generation furthermore facilitated the repayment of EUR 1.125 billion of core Tier 1 securities, including a EUR 375 million in premiums and interest, by ING Group to the Dutch State in November.

During the year ING took several more steps to unwind its support from the Dutch State. In 2013 ING Bank reduced the Dutch State guaranteed funding by EUR 3.6 billion to EUR 2.5 billion, mainly through a tender offer. The remaining bonds will mature in March 2014. In November 2013, ING announced that it had reached an agreement with the Dutch State on the unwinding of the Illiquid Assets Back-up Facility ("IABF"). In February 2014 ING and the Dutch State completed the unwinding of IABF.

BALANCE SHEET OPTIMISATION

ING Bank worked hard to optimise its capital structure and met most of the CRD IV requirements before they were implemented. In November ING Bank announced and also executed a number of liability management actions to optimise the capital structure in anticipation of the upcoming CRD IV implementation.

ING Bank's balance sheet has also been reduced and strengthened. The balance sheet declined following the transfer and sale of EUR 8.3 billion of assets and EUR 3.7 billion of liabilities from WUB to Nationale-Nederlanden Bank, and the sale of EUR 2.2 billion of Dutch mortgages and EUR 1.0 billon of US Real Estate Finance ("REF") Loans. The balance sheet was also impacted by the divestment of ING Direct UK in the first quarter of 2013 and the sale of EUR 0.8 billion mortgage portfolio in Australia in the second quarter of 2013.

ING Bank is on track to reach the target of EUR 54 billion balance sheet integration (excluding off-balance positions) by 2015. Balance sheet integration refers to the continuous efforts we put into trying to minimise balance sheet inefficiencies that may arise because of the fact that our client asset base and our client liability base do not always grow at the same pace over time and across countries. This also includes looking for synergies between different ING units that have different balance sheet structures (some are client deposit driven, others are client asset driven).
Since 2011, we have completed EUR 48 billion of balance sheet integration to optimise local balance sheets, of which EUR 14 billion was realised in 2013.

ING Bank attracted a net inflow of funds entrusted (adjusted for WUB transfers, the divestment of ING Direct UK and currency impacts) of EUR 27.3 billion during the year. Retail Banking generated EUR 18.8 billion of net inflow, driven by continued growth outside of the Netherlands. Total net lending grew by EUR 5.5 billion (also adjusted for the sale of Dutch mortgages and US REF loans), despite muted demand and pricing discipline.

COST CONTAINMENT

In February 2013 a second phase of ING Bank's Retail Netherlands' cost reduction programme was announced on top of the programme announced in November 2011, followed by an extension of the existing cost-saving programme in the fourth quarter of 2013. Including this extension, total headcount reductions are 4,400 FTEs and will result in EUR 460 million annual cost savings by 2015. Since the start of the programme, there has been a reduction of about 2,900 FTEs and EUR 279 million has been saved.

The projects announced by ING Belgium at the beginning of 2013 to align its products and services with the new mobile banking environment are on course. ING Belgium's cost-saving target by 2015 is EUR 160 million. By the end of 2013 cost savings of EUR 41 million have been achieved.
Commercial Banking's restructuring programme is also on track and by the end of 2013 cost savings of EUR 138 million were realised. Commercial Banking continued with its global change programmes which aim to save EUR 260 million by 2015 and at the same time improve product delivery and enhance the One Bank client experience. An example is the integrated client coverage approach, focusing on unifying the sales force and harmonising client services. For more information see the chapter on Commercial Banking.
The previously announced cost-saving initiatives are expected to reduce expenses at ING Bank by EUR 880 million by 2015, of which EUR 458 million has already been achieved since the start of the programmes.

CUSTOMER CENTRICITY

As a bank we play an important role in helping our retail and commercial customers make the right decisions by providing them with products and services that meet their needs. Our role is to support the economy; ING Bank can only achieve long-term business success if it contributes towards economic development, a healthy environment and a stable society.

We strive to meet growing demand from customers for products that not only generate good financial results, but also serve social and environmental objectives. We do this by integrating sustainability considerations into our business and by managing the socio-environmental risks of our transactions and engagements. We updated our Environmental and Social Risk Framework and embedded client screening as part of the client on-boarding process.

Some of our products help relieve social and environmental problems. For example, we offer retail customers in the Netherlands an ING Savings Account for UNICEF which supports UNICEF, the UN children's charity; and in India we offer farmers products to cover their credit needs before, during and after harvest time.

In our lending and saving activities, ING's Groenbank helps businesses make their activities more sustainable. ING Groenbank is the number two green bank in the Netherlands and was the lead arranger of a record EUR 100 million green loan to a Dutch energy company in 2013. ING has also created a Sustainable Lending team to identify and support sustainable business opportunities within commercial banking. The team has a global mandate, to identify and promote growth areas in the sustainability arena.

Microfinance can help under-banked communities gain access to financial services, contributing to poverty reduction. ING's microfinance portfolio, financed by ING Groenbank, is active in India, Africa and, since 2013, in Turkey. ING Turkey's microfinance activities are facilitated by an ING Groenbank loan of EUR 30 million which is part of the total microfinance portfolio of EUR 75 million.

We continue to innovate. In 2013 we launched "responsive" websites for example at ING Austria, ING Czech Republic and ING Italy. These are sites where no matter what device is being used (smartphone, tablet or PC), the site content will always fit in the screen.

ING Vysya Bank introduced an iPhone-based mobile app to extend its reach into remote cities and rural areas. ING Bank Slaski was the first bank in Poland, and one of the first in the world, to offer contactless ATM technology, increasing the number of contactless ATMs. Using best practices from around the ING world, ING Turkey introduced an innovative and award-winning branch concept to respond to changing customer demands. In these newly designed branches, customer centricity is brought to the fore, with ample room for customer interaction by means of, for example, self-service facilities. The bank also introduced an iPad mobile banking app which helps sales teams service customers across retail and commercial banking.

Customers in Belgium have been embracing new technologies faster than anticipated, leading to greater use of digital services and prompting further process automation. In the Netherlands, the number of mobile log-ons at ING exceeded online banking log-ons for the first time in the third quarter of 2013.

Addressing the problem of the subdued housing market in the Netherlands, ING Bank introduced an online "stress test" which helps homeowners see whether their financial planning can be improved. ING Netherlands also launched an online tool (*Afloswijzer*) to help customers decide whether to save or pay off their mortgage.

Customer-led change is at the heart of ING Bank. In Retail Banking, our full service franchises in the Netherlands and Belgium are evolving as online and mobile channels grow in importance. And in our direct franchises we are expanding our product range.

Commercial Banking is restructuring its organisation to provide a more consistent customer experience across sales, servicing and back office support.

We are becoming the primary bank for more customers. ING Spain, for instance, started 14 years ago only with savings; now it is well on the way to becoming the primary bank for many customers, and a multi-product bank.

In 2013 we enjoyed a number of key milestones and external recognition. ING-DiBa, for example, surpassed EUR 100 billion funds entrusted and ING Spain surpassed one million payments accounts.

Customers voted ING Direct Australia as the Best Bank in Australia and ING-DiBa was named Germany's most admired bank for the seventh year in a row. ING was named "Bank of the Year 2013" in Western Europe by *The Banker*, the global financial magazine which is part of the Financial Times Group; *The Banker* also named ING "Bank of the Year" in Belgium, and "Bank of the Year" in the Netherlands for the third year in a row. Commercial Banking received several awards in recognition of ING's capabilities in trade finance and structured finance. High profile deals demonstrated Commercial Banking's skill in combining its expertise to create tailored solutions for clients across countries and industries sectors.

OPERATIONAL EXCELLENCE

Operational excellence is a key priority at ING Bank. We align our systems, structure and processes to deliver the best customer experience in a cost-effective way. The big transformations we have initiated in the Netherlands and Belgium, and in Commercial Banking, are laying the groundwork for a lower cost base.

ING in the Netherlands is improving its customer services by focusing on easy-to-use operational processes. To reach this goal, ING applied 10 simple principles for each operational process, such as "never ask the customer for information we already have". In Belgium, customers can now request business loans online. ING Turkey in 2013 became the first bank in the country to offer an electronic invoicing solution which reduces paper and other costs. ING Romania launched Fast Track Light Automation, an application to handle loan applications for new Mid Corporate Business customers within 48 hours.

TOP EMPLOYER

Remaining a top employer is a key priority at ING Bank. Having motivated employees is essential for success because they build lasting relationships with customers.

Top Employer teams are organised in each business line, with responsibility for executing at a local level the bank-wide Top Employer action plan.

Across the banking businesses, best practices are shared in the three global priorities identified to bring more focus and consistency to the Top Employer programme: performance management, development, and efficient & effective collaboration.

ING France, ING Italy, ING Poland, ING Belgium and ING Spain received local Top Employer Awards. ING Luxembourg, Interhyp, ING-DiBa and ING Spain have also received European "Great Place to Work Awards", placing them in the top-25 of Best Multinational Workplaces in Europe. ING is the only financial institution in this European ranking. This success strengthens our employer branding and demonstrates that we are on track with our Top Employer programme.

However, there are several challenges facing us as an employer. First, the general sentiment towards banks is still not positive. Second, we had to lower the headcount at ING Bank to reduce costs and keep our organisation flexible. These measures (also from previous years with an impact on 2013) resulted in a total reduction of internal staff at ING Bank by 2,022 FTEs in 2013 despite growth in Retail International. Third, we tightened up our remuneration policy in the Netherlands. Despite these challenges, the outcome of our annual employee engagement survey showed an increased confidence in the long-term future of the company which illustrates the resilience of our staff in a difficult environment.

CONCLUSIONS AND AMBITIONS

ING Bank made good progress during the year towards its Ambition 2015 targets, despite the difficult banking market and economic conditions. The underlying net profit of ING Bank improved to EUR 3.2 billion in 2013. This was due to a strengthening of the interest margin, good cost control, and supported by the absence of de-risking losses in 2013 and less volatility from CVA/DVA impacts. The funding profile of the bank improved, which enabled us to continue to support our customers, although demand for assets remained subdued.

We continued to deliver on our strategic priorities: sharpening our business focus; reducing costs; making capital, funding and liquidity more robust; and meeting customers' demand.

We include sustainability criteria in our business decision-making. We have witnessed a continued increase in the volume of sustainable portfolios across all our operations. For more details

see the business chapter in ING's Sustainability Report.
We achieved what we set out to do on the balance sheet: increasing the leverage ratio, strengthening the funding profile and meeting our Basel III capital ratio target.

We kept a steady course, and serving customers' needs remained at the heart of our business. ING will continue to pursue technological innovation to support retail customers' needs, and we will use our expertise and international network as a leading commercial banking for our corporate clients, both inside and outside Europe.

Our main ambition is to finalise our disentanglement from the Dutch state. Our longer-term ambition is to develop a mature banking model in each country where we operate.

Above all, ING Bank aims to build on its leading position as a predominantly European bank with a strong international network focused on providing customers with consistently high-quality services.

Retail Banking

Customer First, Digital First

> Continued focus on customer needs with easy and fair products at low costs
> Providing fast and innovative responses in a rapidly changing banking environment
> Digital innovation a top priority

Retail Banking provides banking services to individuals and small and medium-sized enterprises in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand. Retail Banking has leading positions in the Netherlands, Belgium, Luxembourg, Germany, Australia and Poland. It also has solid positions in its other markets – Spain, France, Austria, Italy, Romania, Turkey and India – where it challenges the established players. It has equity positions in TMB Bank (Thailand) and Bank of Beijing (China). Every country has the same strategic focus: to provide easy and fair banking, at low costs, according to the "direct if possible, advice when needed" principle.

In addition to putting the customer first, operational excellence and being a top employer, the focus in 2013 was on "digital first", providing customers with a consistent and improved experience across all channels and on maintaining a safe electronic banking environment. Although in many areas the economic and social uncertainty persisted in 2013, Retail Banking's performance was strong.

FINANCIAL DEVELOPMENTS

Retail Banking's underlying result before tax rose 32.6% to EUR 2,603 million in 2013 from EUR 1,963 million in 2012, mainly due to higher interest results following improved margins on lending and savings, and the absence of de-risking losses on the investment portfolio, which were prominent in 2012. This was in part offset by higher expenses and increased risk costs.

Underlying income rose 11.8% to EUR 10,162 million. The interest result was 6.3% higher, driven by improved margins on lending and savings, the latter following reductions in customer savings rates, which more than offset the impact of the transfer and sale of portfolios, mainly related to the partial transfer of WestlandUtrecht Bank ("WUB") to Nationale-Nederlanden Bank. Adjusted for currency impacts and the aforementioned transfers and sales, net inflow in funds entrusted was EUR 18.8 billion, predominantly in Germany and Rest of World. Net lending growth was EUR 5.8 billion, of which EUR 4.2 billion was in residential mortgages. Commission income rose 3.0% due to higher fees from the securities business. Investment and other income improved to EUR 396 million from a loss of EUR 137 million in 2012, mainly due to the absence of losses from the selective sale of European debt securities, which dampened income by EUR 462 million in 2012, and higher dividend from Bank of Beijing.

Underlying operating expenses increased 3.0% to EUR 6,138 million, mainly due to higher pension costs and additional restructuring charges recorded in the Netherlands as part of the existing efficiency programmes. This was largely offset by the benefits from the ongoing cost-savings initiatives and the partial transfer of WUB staff to Nationale-Nederlanden Bank. The underlying cost/income ratio improved to 60.4%, from 65.6% in 2012.

The additions to the provision for loan losses increased by 21.9% to EUR 1,421 million, or 100 basis points of average risk-weighted assets compared with 82 basis points in 2012. The increase was mainly caused by higher risk costs in the Dutch mortgage and business lending portfolio, as well as in India and Turkey.

The underlying return on equity, based on a 10% core Tier 1 ratio, rose to 13.2% from 9.5% in 2012 due to higher results, while

Financial overview*		
in EUR million	2013	2012
Total underlying income	**10,162**	9,090
Underlying operating expenses	**6,138**	5,961
Underlying additions to loan loss provisions	**1,421**	1,166
Underlying result before tax	**2,603**	1,963
Underlying cost/income ratio	**60.4%**	65.6%
Customer balances: net production funds entrusted (EUR billion)	**19**	28
Customer balances: net production lending (EUR billion)	**6**	12
Underlying risk costs in bp of average risk-weighted assets	**100**	82
Risk-weighted assets (year-end, EUR billion, adjusted for divestments)	**152**	143
Underlying return on equity based on 10% core Tier 1**	**13.2%**	9.5%

* Underlying numbers are derived from IFRS-EU, excluding the impact of divestments and special items.
** Underlying after tax return divided by average equity based on 10% core Tier 1 ratio.

Underlying income		
in EUR million	2013	2012
Retail Netherlands	**4,079**	3,897
Retail Belgium	**2,321**	2,194
Retail Germany	**1,388**	1,193
Retail Rest of World	**2,374**	1,807
Total Retail Banking	**10,162**	9,090

Underlying result before tax		
in EUR million	2013	2012
Retail Netherlands	**872**	983
Retail Belgium	**663**	601
Retail Germany	**598**	441
Retail Rest of World	**471**	-62
Total Retail Banking	**2,603**	1,963

average risk-weighted assets remained stable. In 2013, however, total risk-weighted assets increased by EUR 9 billion to EUR 152 billion at year-end, mainly caused by adjusted parameters to reflect the ongoing weakness of the Dutch economy and its impact on the mortgage and business lending portfolio, and despite early signs of an improvement in the Dutch housing market in the last quarter.

RETAIL BANKING

BUSINESS DEVELOPMENTS

In a rapidly changing banking environment, both from a consumer, regulatory and technology point of view, our customers remain at the heart of what we do. We maintain a dialogue with them and are constantly adapting and improving our products, services and processes. Everything is geared to achieving our goal: to be the preferred bank for our customers, a goal that is driven by customer centricity, operational excellence, balance sheet optimisation and being a top employer. We can only be successful when we respond to our customers.

ING's retail banks have different roots: some have their origins in traditional, universal banks, while others were set up as new businesses, such as the former ING Direct units. In 2013, ING continued to combine these two retail models, with all business units following the same strategy and converging to the same model: easy and fair, and at low costs. The product and service range is thereby tailored to local customers and circumstances, with a focus on "digital first". Around the world, customers are increasingly interacting with ING through digital channels, with mobile taking the lead. We think that mobile banking is the future of retail banking. Therefore, we are sharing mobile banking best practices across business units, so we can respond quickly to changing needs and bring new solutions to our customers as fast as possible, shorten the time to market and be more efficient. Consumers worldwide are also increasingly self-directed and empowered. They look for fair pricing and transparent terms and conditions from their bank and compare these with what other banks offer. They also want a seamless experience, whether they use a mobile, tablet, PC, phone or visit a branch. All business units therefore continued to invest in IT in order to respond rapidly to recent innovations.

In each of the sections below, we outline some of the main social, economic and regulatory developments of 2013, and show how we responded to them to help customers make the right financial decisions.

The overall approach is driven by our Retail Standards Board, which is composed of the most senior leaders in the Retail Banking organisation. It sets standards in retail banking, creating and nurturing a sustainable knowledge-sharing culture throughout the Bank. Its priorities in 2013 were device-independent online banking, security and fighting cybercrime, social media and business/customer intelligence.

Our customer-centric focus has resulted in most countries achieving first or second place in Net Promoter Scores (NPS) compared with competitors. ING applies the NPS methodology in nearly all countries to measure customer engagement and the results are used to improve customer services and internal processes.

To achieve our vision of becoming the preferred bank for our customers, we must have employees who are committed and motivated. A Top Employer programme was launched in 2011 and since then Top Employer teams in every country where we operate have been steadily working to meet common standards. The programme will be continued in 2014.

As for sustainability, we are meeting the increasing demand for products and services that not only generate good financial returns, but also meet clear social, environmental and ethical objectives. Furthermore, we aim to offer our product offering to all society segments, including young people, the physically challenged and the economically disadvantaged. That is why we offer micro finance to entrepreneurs and proactive assistance to mortgage holders in financial distress. We are increasing the number of branches that have barrier-free access and are reaching out to "under-banked"communities in India. In 2013, many of our business units offered products and services to people with special needs. Our sustainable activities are embedded in the activities of all our business units.

RETAIL NETHERLANDS

FINANCIAL DEVELOPMENTS

The underlying result before tax of Retail Netherlands decreased 11.3% to EUR 872 million in 2013 compared with EUR 983 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 WestlandUtrecht Bank (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 3.6% to EUR 2,330 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 0.7% from 2012, despite higher pension costs, reflecting the benefits of the efficiency programmes and the transfer of WUB staff to Nationale-Nederlanden Bank as from 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.

BUSINESS DEVELOPMENTS

As was the case in most European countries, the Netherlands had to cope with strong economic headwinds in 2013. There was a sharp increase in unemployment in the Netherlands, particularly in the first half of 2013, and a record high in corporate bankruptcies. The housing market remained weak but began to stabilise in the second half of the year, with house prices declining at a less rapid rate and demand picking up. In the course of 2013, the economy began to show signs of improvement as the country emerged from a year-long recession, with a pickup in externally-orientated sectors such as industry and transport helping to offset continued weak domestic demand.

The overall performance of Retail Netherlands (Retail NL) was good, despite the ongoing adverse economic circumstances. Income has improved despite the current low interest rate environment in combination with a weak demand for business loans and a still fragile housing market. Underlying expenses were slightly down, when not taking into account the strong increase in pension costs. The poor economic climate, however, is also reflected by higher risk costs.

Retail NL has a top two market position in the Netherlands, serving almost eight million retail and private banking customers and nearly 700,000 SME and Mid-Corporate customers. Although customer demand for digital banking services continued to increase, ING maintained a substantial physical presence with 268 branches and 375 ING Service Points.

Retail NL's mortgage market share declined by 1.4%-point, mainly due to the transfer and sale of part of the WUB portfolio. The full-year net production in mortgages (excluding transfers and sales) was EUR -0.4 billion (2012: EUR 1.8 billion). The non-performing loans ratio increased to 1.9% (2012: 1.4%) of total mortgage loans, which is still relatively low.

In recent years we have substantially reduced, among other things, the number of savings and related products from over 60 to a much smaller and more convenient product range. We kept improving our product range by screening and review product processes, making them simpler and more customer-friendly.

We have to constantly adapt to changing market circumstances and control costs in order to remain efficient. Following the measures announced, the number of full-time employees (FTEs) will be reduced by 4,400 by the end of 2015. So far, the headcount has been reduced by 2,900 FTEs.

Customer centricity

We make daily banking easy and stand by customers at decisive moments in their lives by providing personal, active and service-oriented solutions. To this end, we have launched a new campaign, "Orange Banking" (Orange is ING), illustrating our engagement with Dutch society. This campaign, which is driven by the needs of our customers, was rolled out in 2013 and will be continued in 2014.

Based on the principle "Customer Interest First", Retail NL maintains a customer-centric organisation. A programme has been in place for several years to ensure that the customer's interest is always at the centre of our activities. This programme aims at simplifying customer processes, improving our products and services and motivating employees to put the customer's interest first. These Customer Interest First-focused objectives are also included in the Key Performance Indicators for all our employees, including those of management.

We are in a constant and meaningful dialogue with customers and regulators to get their feedback and improve our performance. For example, customer feedback told us that SME customers would appreciate more personal contact with ING. As a result, in 2013, a further 30,000 SME customers were given access to a relationship manager. Under our Net Promoter Score ("NPS") programme, which has been in place since 2009, some 250,000 customers a year give us their opinion on their customer experience. We also get customer feedback from several Customer Advisory Boards. We let customers know how we follow-up on their feedback via a dedicated page on our website.

We also get in touch with our customers via online media, from online seminars on topics such as housing, business lending, and the Single Euro Payments Area (SEPA) to the use of social media. In November, the CEO of ING Netherlands used Google Hangout, the instant messaging and live video chat platform, to talk with customers about various issues, including mobile banking, online communications with the bank and the future of banking.

We are also constantly improving our successful mobile banking apps for retail and corporate customers by adding functionalities requested by them. We achieved an important milestone in the third quarter of 2013 when mobile log-ons exceeded internet banking log-ons for the first time. Mobile traffic increased from over 25 million at year-end 2012 to over 41 million visits a month at the end of 2013.

We have introduced a number of tools that help customers make the right financial decisions, such as the Mortgage Stress Test *(Hypotheken Stress-test)* and the Buffer Calculator *(Buffer-berekenaar)*. ING has also introduced the Mortgage Repayment Calculator *(Afloswijzer)* – an online tool to help consumers decide whether it is better to save or repay their mortgage. As part of our social engagement efforts, we also offer customers who face an involuntary and substantial decline in income a mortgage repayment scheme called the Interest Payment Freeze (*Hypotheek Rentepauze*) to help them out.

At ING Zakelijk (ING Corporate), we launched the Entrepreneurial Financing *(Ondernemend financieren)* campaign in 2013 which, among other things, allows relationship managers to have a dialogue with customers about the various credit options.

We hosted a number of roundtable sessions with SME and Mid-Corporate customers in 2013 on relevant topics during which we shared our financial and sector knowledge. ING Mid-Corporate, together with ING Private Banking, launched a platform for family-owned businesses to share knowledge and provide benefits to the customer from the expertise of these two business lines.

ING Private Banking started a strategy to enhance customer centricity internally and the customer experience externally. This involved relocating staff to branches to increase our local presence and increasing the number of Client Service Teams. We opened our first Private Banking branch in Wassenaar and nine more will be added in 2014.

Another initiative to support Dutch businesses is the Orange Trade Mission Fund *(Oranje Handelsmissiefonds),* founded by ING, KLM and MKB-Nederland in collaboration with the Ministry of Foreign Affairs. Each year, the fund offers 10 businesses the opportunity to develop their international plans with an Orange Trade Mission package, which provides fully-supported participation in official trade delegations, a customised trade mission or participation in international fairs. The 10 winners in 2013 are being monitored and their know-how, experience and stories will eventually be shared as an example for other Dutch businesses.

In September, several customers of ING Private Wealth & Asset Management, together with ING and other Dutch companies, launched the Dutch Orange Capital Enterprise Fund *(Ondernemend Oranje Kapitaal).* The Fund makes capital, expertise and advice available to SMEs. The objective is to give the Dutch economy a much-needed boost, and at the same time offer investors an attractive and sustainable commercial return.

Reaffirming ING's commitment to sustainable lending and saving, ING's Groenbank (Green Bank) was the lead arranger of a record EUR 100 million syndicated green loan to Dutch energy company Eneco. One of the primary objectives of ING Groenbank is to stimulate sustainable entrepreneurship by offering interest-rate reductions for sustainable projects, ranging from solar panels to wind turbines and waste factories. ING Groenbank also attracts green saving deposits from retail customers in the Netherlands – *Groen spaardeposito's* – and allocates these funds to provide green lending services to SMEs, Mid-Corporates and Corporate Clients, and to provide microfinance lending to ING subsidiaries. At year-end 2013, ING Groenbank had a balance sheet total of EUR 769 million.

In October, ING introduced the ING Savings Account for UNICEF. ING donates 0.10% per annum calculated over the total average savings balance on these accounts. This money is used to support a UNICEF-led education project in Madagascar.

The ING Socially Responsible Investment portfolios consider social and environmental criteria when investing the funds of retail and private-banking customers. These criteria have been integrated into the investment-decision process of the ING Investment Office. The process also includes an analysis of both the financial and sustainability performance. Since its introduction in 2008, the ING Socially Responsbile Investing Index has outperformed the MSCI World Index and the Dow Jones Sustainability Index.

Customer centricity has become an integral part of various bank employee courses, such as the general Enter@ING programme for new employees, as well as for specific positions like SME relationship managers. Educating and training staff to give them the skills to help customers and ensure that customers remain at the centre of our attention is a key goal.

Our efforts have been recognised by various organisations, confirming that we are well on the way to become our customers' preferred bank. ING won several awards in 2013, including three "Bank of the Year" awards for the Netherlands, Belgium and Western Europe from *The Banker,* part of the Financial Times Group; the "Best Bank in the Netherlands" award from *Global Finance*; the Mobile Banking Campaign "Penny for your thoughts" won the SAN Accent 2012 Award in the category Financial Service Industry; the *"Gouden Oor Erkenning"* for complaints management; and the "Complain Online"award for the fastest and best handling of complaints. ING achieved second position in the Social Media Monitor's "Best Bank in the Netherlands". ING Private Banking was "highly commended" by the *Financial Times*.

Operational excellence
We have improved customer service since 2012 by focusing on easy-to-use operational processes and making it easier for customers to change their personal data. We apply 10 simple principles for each operational customer process, such as: "never ask the customer for information we already have". Furthermore, customers should always receive confirmation of changes made in their data and customer satisfaction has to be measured for all processes. These principles force us to improve and to introduce our solutions as easy as possible, from the customer point of view. In 2013, we realised the first results of simplifying our customer operational processs. For example, the child and youth account opening process is now shortened from 28 questions to 4 clicks.

In September, ING and other parties piloted a new smartphone payment method. During the three-month trial in the city centre of Leiden, around 1,000 consumers paid for goods and services using their smartphone at 180 retail shops with the amount to be paid debited directly from their bank account. Pilot results showed that for the majority of the participating consumers mobile payments exceeded their expectations. Based on customer and retailer feedback, ING was able to improve this process even further.
A first nationwide market introduction is scheduled for the second half of 2014. Also in 2013, ING set up a system with Chambers of Commerce, whereby if a business changes its address or other details with its local chamber, the details of the change are relayed automatically by the chamber to ING. There is no need for the business separately to notify ING of the change.

Cyber security is a growing concern for all banks. ING has therefore been working with the Dutch Ministry of Justice, other banks, consumer organisations and businesses to discuss better ways of combatting cyber attacks. Retail NL suffered several attacks in 2012 and has improved its defensive measures since. However, also ING experienced Distributed Denial-of-Service ("DDoS") attacks in 2013, during which its website was bombarded with data traffic and, as a result, Mijn ING, the Mobile Banking app and iDEAL payments were blocked for some time. We have since taken further counter measures to block unwanted traffic. At no point during these attacks have customer details been compromised.

Top Employer
Several Top Employer initiatives were launched in the Netherlands in 2013. They included a new career platform, "Steer Your Career", which helps employees determine their strengths and passions, what they want in their business life and how to achieve it. Physical wellbeing is supported by the introduction of Energy@ING, which teaches employees to manage their energy level. More than 4,000 have signed up to the programme. The scope of The New Way of Working (*Het Nieuwe Werken)*, was extended and is now available to over 5,000 employees at head office locations, creating flexible working conditions and the opportunity to have a better work/life balance. ING employees have asked to be given more flexibility over how they use their staff benefits. As a result, the Benefits Budget (*Keuzebudget)* has been introduced as from 2014, giving them better control over some of their benefits.
Top Employer initiatives will continue to be developed in 2014.

WestlandUtrecht Bank
Following a European Commission decision in November 2012 the banking activities of WestlandUtrecht Bank were partly combined with those of Nationale-Nederlanden, which is to be divested as part of NN Group. The resulting retail bank (Nationale-Nederlanden Bank) manages its funding and distribution strategy in the Dutch market independently from ING Bank.

WestlandUtrecht Bank continues to service remaining portfolios within ING Retail Banking Netherlands.

RETAIL BELGIUM

FINANCIAL DEVELOPMENTS

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.
Underlying 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 still remained relatively low.

BUSINESS DEVELOPMENTS

Following the 2012 recession, economic growth picked up in Belgium in 2013, with gross domestic product increasing by 0.2%. Private consumption started to recover in 2013, increasing by 0.6% in real terms, and house price growth stabilised just above the inflation rate. The improvement in household confidence implied a slightly higher risk appetite. As a result, savings deposits increased, but at a lower pace than in the years before 2013.
The ING investor barometer showed improved confidence among retail investors throughout the year.

ING Belgium (ING BE), one of the largest retail banks in the country, provides its 2,400,000 (year-end 2013) private and business customers with a full range of banking products and services. It continued to carry out its "direct if possible, advice when needed" strategy. It maintained its leading position as a strongly customer focused bank. This was evidenced by, among other things, winning the 2013 "Bank of the Year – Belgium" award from *The Banker* in recognition for "its solid financial and commercial performance" and "its strategy for investing in new channels".

The Bank continually responds to the fast-changing customer behaviours and expectations and adopts new technologies to meet their needs. It improved its direct channels, both for private and business customers. It launched, for example, a new app for tablets and, in September, ING BE became the first bank in Belgium where business customers can sign and activate their business lending contract online. ING BE's specialist advisers were equipped with a new computer device that enables customers to sign for advice-related products such as investment or lending products outside the branch, for example at home. This project, which started in 2013, will be further rolled out in 2014.
Over the past four years, direct sales of simple online products have more than doubled, accounting for more than 40% of ING BE's total simple product sales. Coupled with the increasing number of cumulated downloads of its mobile application since 2011 (448,000), this confirms the increasing use of direct banking by its customers. Daily mobile transactions more than tripled year-on-year in 2013.

ING BE also continued the transformation programme for its branch network and 63 branches were renovated. By year-end, more than 600 out of 748 branches had been completely refurbished into open and more customer-friendly branches. The branches are at the crossroads of advice and online banking in ING BE's distribution model.

Private Banking, which has a top three position in Belgium, was awarded "Best Private Bank in Belgium" by the magazine *World Finance*. The total amount of Private Banking funds entrusted and assets under management in Retail Belgium was EUR 17.6 billion (+ 4.9% since 2012).

The Bank's continuous efforts to make banking easy paid off. For the 7th year in a row, ING Belgium experienced a net year-on-year growth of its customer base. The net growth of active customers amounted to 62,000, to a total of nearly 500,000 active customers since the introduction in 2007 of its "direct if possible, advice when needed" strategy.

Moreover, for the first time, more than 100,000 ING Lion accounts, the Bank's free online current account, were opened in one year.

As a result of fundamental changes in customer behaviour, in particular the greater use of online and mobile banking, ING BE announced in early 2013 a plan to reduce the number of employees between then and the end of 2015. While the number of employees in Belgium decreased, mainly as a result of natural attrition, the Bank continued to hire new people. In 2013, 314 new FTEs were welcomed at ING BE. Given the external challenges, the Bank raised its focus on cost containment. While continuing to invest in innovative customer-oriented solutions, ING BE ensured that other expenses were either frozen or reduced.

The new Collective Labour Agreement, which was signed at the end of 2013, aims to moderate the rise in salaries until 2016.

Customer centricity

ING BE continued to offer products and services that best meet customers' needs and to improve access through new mobile banking facilities. ING BE's mobile banking app, Smart Banking, was launched for tablets in 2013, providing a user experience in line with customer expectations for a tablet device. With this app customers can easily manage their income and expenditure with the "My budget" tool, and make transfers to any beneficiary.

ING BE's open guided architecture fund range regrouping high quality funds from selected investment companies experienced a consistent above-the-market performance. The open-guided architecture fund offer was enlarged with the launch of the ING Core Fund. This Fund, which groups a limited selection of funds from several investment companies with a Morningstar rating of three stars or more, witnessed the strongest increase in funds entrusted of all funds over the past five years.
Since 2013, all branches have also been equipped with Wifi and iPads, to help ING BE's customers discover the multiple advantages of online and mobile banking.

The Bank invested in new customer intelligence and lead-management solutions, enabling it to offer the right product to the right customer, at the right moment, and through the right channel.

Through its corporate social responsibility (CSR) policy ING BE aims to manage its business not solely on the basis of financial criteria but also by giving the necessary weight to the environment, ethical considerations and the needs of society in general.
Against this background, ING BE committed itself to improve the accessibility of its branches for physically challenged people. By the year-end, more than 600 branches had been renovated to meet this objective. The Bank also strives to reduce its carbon footprint every year. Branches and ING BE's two main buildings have been "carbon neutral" since 2007. They use 100% green electricity and foster a strict waste-recycling policy. Various projects aimed at reducing the use of paper, such as paper cheques and paper payment orders, were started in 2013, in coordination with efforts to improve the ease of use of electronic alternatives, such as Home'Bank. On top of these initiatives, sustainability is also embedded in ING BE's product offering to private customers. While the growth of real-estate eco loans to private customers stabilised in 2013, eco car loans increased by close to 5% year-on-year.

ING BE's employees participated in various initiatives enabling to raise funds for children and education (ING Run for UNICEF, Special Olympics and Ekiden Run). The ING Solidarity Award represented one of ING BE's strongest CSR initiatives throughout the year. More than 1,400 organisations participated in this contest, with over 200,000 voters on the Award platform. In total, 70 non-profit organisations throughout the country were rewarded with financial support from ING BE.

Operational excellence
ING BE launched a new version of Home'Bank, the Bank's online banking service, which is fully integrated with the ing.be website. It provides easier navigation, more product information and a clear overview of the different functions. Business customers were also given a more complete online banking service during the year. From 2013, legal entities have been able to open accounts and manage mandates within the Home'Bank Plus and Telelink Online. Business customers can also manage a more complete range of professional accounts on Smart Banking for smartphones and tablets.

Top Employer
In a fast-changing world, ING BE strives to give its employees the means to develop themselves, and to create a working environment that favours well-being, performance, mobility, flexibility and growth.
The local Top Employer programme implemented a new induction course for newly recruited staff. It also rejuvenated its Performance Management Approach to ensure continuous constructive feedback. This new approach supports employees in developing their employability and managers in their people-coaching role while reinforcing the role of HR as a strategic business partner.
For the seventh year in a row, ING BE received a Top Employer Certification from the CRF institute. It also won the Corporate HR Award at the annual HR Excellence Awards ceremony, in recognition of its efforts to increase its employees' employability.
ING BE created the ING Mobility Centre in 2013. It helps employees whose positions were made redundant find other jobs in ING BE or elsewhere.
The Bank organised an ING Day in October for all employees to celebrate success, prepare for future challenges and reinforce company pride.

Record Bank
Retail Belgium includes Record Bank, the fourth-largest retail savings institution in the country, with close to 730,000 customers (up from 700,000 in 2012). Record Bank serves retail, professional and small business customers with safe, simple and transparent savings and lending products.
Its strength is the personal approach taken by its network of around 1,500 independent agents, credit brokers and vendors. Its funds entrusted volumes went up by 8% compared with 2012, with a strong increase in savings and deposits of EUR 1.3 billion, as a result of its excellent position in the Belgian savings market.
The Bank continues to invest in online facilities to support its various distribution channels. In December, it launched its Mobile App for smartphones – Record Bank Mobile – giving customers the ability to check account balances and make bank transfers.
Under the Belgian government's Bank Switch Service *(Bankoverstapdienst)* customers should be able to switch banks within eight working days. The service has proved to be a great success for Record Bank, which has welcomed about 11% of the people switching in 2013. They have been attracted by Record's free current account, competitive savings rates, and personal contact with a local banking agent.

ING Luxembourg
The Luxembourg economy showed signs of gradual recovery in 2013, with an expected GDP growth rate of around 2.0%. Against this background, ING Luxembourg – a top five, full universal bank in the country – delivered a solid performance. The Bank has a local as well as a wide international customer base, with 114,000 customers, of which 84,000 are retail, and 16 branches. It is fourth in the mid-corporate market and third in the corporate market.
Its funds entrusted have grown by 10% since year-end 2012, driven by Commercial Banking (+14% in net funds entrusted). There was also an increase in retail funds entrusted in 2013 (+4%): Retail Banking benefited from the success of its savings campaign, focusing on all the savings solutions proposed by ING Luxembourg.

ING Luxembourg reduced by 80% the time it takes for corporate customers to access the Bank's website and improved the online account opening process for retail customers with "First time right". The bank also launched an improved version (2.0) of ING Mobile, ING Luxembourg's mobile app for mobile devices.
As for its Top Employer ambitions, ING Luxembourg was in 2013 again included in the "Great Place to Work" ranking for Luxembourg. The Bank was awarded "Best Multinational Workplace in Europe" in the ranking of 100 Best Companies to Work for in Europe. ING Private Banking was awarded "Best Private Bank" in Luxembourg.

On 10 April 2013, Luxembourg announced its intention to switch, from 1 January 2015, to the automatic exchange of information under the European Savings Tax Directive, thus following a general international trend. ING Luxembourg continually informs its customers of any changes in regulation, in this case an obligation by both the bank and the customer to comply with local tax regulation. ING Luxembourg further advises its customers to contact a tax adviser if necessary and (re-)affirm that they comply with local tax regulations following the European Savings Tax Directive.

RETAIL GERMANY

FINANCIAL DEVELOPMENTS

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 by 16.3% to EUR 1,388 million, 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 in 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 cost/income ratio improved to 51.1% from 56.1% in 2012. The additions to the provision for loan losses slightly declined in 2013 to EUR 82 million (or 37 basis points of average risk-weighted assets), from EUR 83 million (or 38 basis points of average risk-weighted assets) in 2012.

BUSINESS DEVELOPMENTS

Retail Germany consists of ING-DiBa Germany, ING-DiBa Austria and Interhyp.

After a weak start, Germany's economy gained momentum in the course of 2013. At year-end, its unemployment rate was at 6.8% and gross domestic product had risen by 0.5% over the entire year, despite the weakening of most economies in Europe. Germany's export industry gained volume and private household consumptions increased as well. Due to the stable economic conditions, housing prices are solid and actually showing growth, especially in and around large cities. The Austrian economy is also on a positive track, benefitting from its close ties with Germany. The economy grew by 0.3% year-on-year in 2013 and should accelerate further in 2014.

In Germany, ING-DiBa is a fast growing bank, and the third largest by number of customers, with a continuous focus on the customer. Its customer satisfaction ratings remain high, which is contributing to strong business growth. An easy-to-understand product range, with only 10 different products, offered with the highest service, 24 hours a day, are *the* ingredients for meeting all main needs of a retail banking customer.
ING-DiBa remained committed to its mission to be simple and uncomplicated, giving it the opportunity to increase its market position in the still very fragmented German banking market. It continued to show consistent growth in 2013 in all products.
In September, ING-DiBa in Germany and Austria attracted its eight millionth customer, and the total number of customers in 2013 increased by 300,000. Total customer balances in 2013 rose by EUR 12.6 bilion and now exceed EUR 179 billion, of which total funds entrusted amount to EUR 105.9 billion. During 2013 the one millionth payment account was opened and Consumer Lending surpassed EUR 4 billion in volume.

In the area of knowledge sharing, ING-DiBa profited from the experience in social media in the Netherlands and Spain by implementing their best practices on listening to and engaging with customers through social media.

The folding of ING's Commercial Banking activities in Germany into ING-DiBa in 2011 has given the Bank more scope to contribute to ING's balance sheet optimisation programme. Synergies are achieved by Retail Banking providing funding at a competitive level, while Commercial Banking is generating an additional sources of high quality assets.

ING-DiBa Austria, which is reported under Retail Germany, had 521,000 customers at the end of 2013, up slightly from 515,000 at the end of 2012. Total retail balances at year-end 2013 amounted to EUR 7.6 billion, an increase of EUR 0.3 billion, of which total funds entrusted were EUR 7.4 billion.

Interhyp, Germany's biggest mortgage broker, was awarded "Best Mortgage Financer" by renowned *Euro* magazine, for the eighth year running, for best service, advice and price. Interhyp increased its local branch and tied-agent network to almost 70 in 2013.

Customer centricity

ING-DiBa is a socially responsible bank. First of all, it treats customers fairly by offering easy-to-understand products with no strings attached. ING-DiBa Germany, for example, launched an initiative, aiming at making all its letters and e-mail templates easier to understand. This, in turn, should lead to fewer additional inquiries and, consequently, to a better customer experience. Prior to the launch, many workshops were held, an electronic handbook was published and an ongoing newsfeed set up. A survey showed ING-DiBa is well on track reaching targeted aims.
Second, it is a caring employer, providing staff with a range of ancillary, non-work related benefits such as sports classes, cooking classes and child care provision. Third, it gives something back to society. ING-DiBa Austria, for example, launched the Club Thousand (*Vereinstausender*) initiative in 2013, which involves donating EUR 1,000 to 50 Austrian non-profit clubs. More than 900 clubs and their members participated in this campaign by applying to be one of the 50 clubs to which the donations were granted. This raised ING-DiBa's brand awareness significantly.

ING-DiBa Germany has the Customers Gain Customers (*Kunden werben Kunden)* initiative to give current customers an incentive to recommend ING to their friends and family. For every new customer, the recommender can choose to donate EUR 40 to UNICEF or receive a premium instead.

Operational excellence

ING-DiBa continued to focus on improving its product and service efficiency to help customers manage their finances. For example, in 2013 ING-DiBa Germany launched a new internet banking site that is easier to use with all types of device – computer, smartphone or tablet.
ING-DiBa Austria also launched a new website, along with online and mobile banking tools, to improve service and delivery.

Top Employer

ING-DiBa considers its staff to be a distinguishing asset and maintaining a strong corporate culture is a key success factor.

Consequently, high priority is placed on being a Top Employer and a "Great Place to Work". As part of its corporate social responsibility commitments, ING-DiBa runs special educational programmes for staff aged over 50 and initiatives for hiring disabled and socially disadvantaged people. It introduced additional support to help staff with childcare and healthcare. For example, young parents are given EUR 150 a month for childcare and all employees are offered a professional, fully paid-for health check-up.

ING-DiBa Germany and Austria, as well as Interhyp, were recognised as one of the best national employers in 2013 by the renowned Great Place to Work Institute. ING-DiBa Germany was also named a "Best Workplace in Europe 2013". The results of the ING-DiBa annual employee survey are discussed at the Bank's leadership summit and at other levels as a way of strengthening our corporate culture.

Awards

ING-DiBa Germany received several awards in recognition of its high service and quality standards in 2013. It won the *Deutschlands Beliebteste Bank* (Germany's Most Preferred Bank) award, from the readers of German *Euro* magazine for the seventh year in a row. It was also elected "Online broker of the Year" for the fourth time in a row by *Börse Online*. Mobile brokerage accounts for only a low percentage of trades executed by ING-DiBa, but it is increasing. ING-DiBa Austria received the "Recommender 2013 Awards" in May 2013 for its excellent customer focus.

RETAIL REST OF WORLD

FINANCIAL DEVELOPMENTS

The underlying result before tax of Retail Rest of World rose to EUR 471 million, compared with a loss of EUR 62 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 adjusted for divestments and the sale of a mortgage portfolio in Australia, net production in mortgages was EUR 1.4 billion, while the net growth in other lending was 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 1,623 million in 2013 from EUR 1,618 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 of average risk-weighted assets, in 2012. The increase in risk costs was mainly in India and Turkey reflecting the economic turmoil, partly offset by lower additions in Romania and the UK legacy portfolio.

BUSINESS DEVELOPMENTS

Retail Rest of World comprises ING Australia, ING France, ING Italy, ING Romania, ING Bank Slaski (Poland), ING Spain, ING Turkey and ING Vysya Bank (India), as well as TMB Bank (Thailand) and Bank of Beijing (China) in which ING has equity positions. ING Direct UK was sold in March 2013 but Retail Rest of World still includes a UK legacy portfolio which is in run-off.

The economic picture in the "rest of the world" is mixed. Activity in most of the remaining big eurozone countries, is now firming. Spain is showing promising signs of leaving the crisis behind, thanks to a strong export performance, and Italy is also slowly turning up. The recovery in France is also expected to moderately gain pace during 2014. In emerging markets, the picture is also mixed. The Chinese authorities are focusing on stability, and are prepared to tolerate a slightly slower pace of activity as this goal is achieved. Australia has been buffeted by volatile markets, but has been helped by central bank easing, and should deliver robust growth in 2014/15. Meanwhile, political developments in Turkey and Thailand have coloured a deteriorating investor sentiment towards emerging markets, with rate increases in Turkey likely to weigh on growth. In contrast India's central bank response to market unrest has been far better received and is likely to generate less of a drag on growth. Both Poland and Romania are on track for reasonable growth in 2014, though market sentiment to Central and Eastern Europe has been tempered by political unrest elsewhere in the region.

In India, Poland, Romania and Turkey, we offer products and services to all customer segments, whereas in Australia, Italy, France and Spain we focus on retail customers. However, in 2013, ING launched a pilot to serve small businesses in Spain.

All businesses continued to converge to the same model: easy and fair, with a focus on "digital first". Progress was made in building the preferred bank and establishing a primary relationship with our customers, in which our payment account serves as the "anchor" product. In 2013, 1.2 million payment accounts were added, resulting in a total of more than 12 million payment accounts. ING Spain reached the milestone of one million payment accounts. In ING Italy, almost half of customers out of one million customers, have a payment account. In 2013, ING Australia passed the 1.5 million customer milestone. Rest of World welcomed close to 900,000 new customers, bringing the total at year-end to 14.3 million, excluding Bank of Beijing and TMB Bank.
ING in Spain, Turkey and France were one of the first banks in the world to launch "responsive" websites, which provide customers with a consistent experience regardless of the device used.

Driven by the Retail Standards Board, progress was made in exchanging best practices and knowledge-sharing. For example, seven business units now use the same tool for listening to social media conversations. The webcare teams in all business units have been organised along the same lines, using the Netherlands' model. As for mobile banking, ING France's app was considered a best practice and copied by numerous units, thereby saving time and development costs. In most countries, the ING app is highly rated by its users.

Further progress was made with the One Bank strategy in Spain, Italy and France. According to plan, this brings together the retail and commercial banking lines of business within a country. As a result, these units now operate as One Bank, with the legal formalisation still to be finalised, except for ING France, which successfully merged ING Direct, ING Commercial Banking and ING Real Estate Finance in 2013.

Customer centricity

We continued to put our customers first by having simple products and services that best meet their needs at fair pricing and focusing on digital channels.

There were a number of mobile banking and digitalisation developments in 2013. ING Romania launched an app for making contactless payments by smartphone, called ING Pay; ING Australia's new mobile app won the 2013 "Mobile Award"; ING Vysya Bank released an app that increases its reach into remote cities and rural areas; and ING Italy's mobile app is now used by 50% of its customers within a year after launch.

In line with our strategy to serve customers through their channel of choice, ING in Spain, Italy and France now have 28, 13 and 2 branches, respectively. At TMB Bank in Thailand, a simplified process allows customers to complete transactions quickly; account opening in a branch, for example, takes only 15 minutes.

ING Turkey launched a ground-breaking social media campaign for consumer loans called #BirTweetimeBakar, which offers customers tangible benefits: the more they tweet, the lower the loan interest rate. Using best practices from around the ING world, Turkey also introduced an innovative, award-winning branch concept which includes self-service facilities and greater improves customer interaction. By the year-end it had been introduced to 40 branches, and our aim is to convert all branches within the next three years.

In India, as part of our corporate social responsibility, ING offers farmers a range of products, including the Kisan Credit Card, to cover their credit requirements at the pre- and post-harvest stages. We also offer customised products for various agricultural activities.

ING Bank Slaski published its first corporate social responsibility (CSR) report – ING The Art of Responsibility – a follow-up to the CSR strategy it adopted in May 2012. It describes how the bank achieves its business objectives by building sustainable, transparent and ethical relationships with customers, employees, business partners, investors and vendors.

ING Italy launched BitBumBam, a contest aimed at supporting projects and ideas that help new generations learn and develop through the innovative use of technology. ING France launched a programme to manage money during the "back to school" period and ING Turkey started "Orange Drops", a programme for eight to nine-year-olds to educate them about the importance of saving. This helps to build the case for including financial education in the nation's school curriculum.

ING Vysya Bank worked on providing banking services to the "unbanked" residents of villages with less than 2,000 inhabitants, most of whom are illiterate, as part of its financial inclusion initiatives.

ING Australia launched Dreamstarter, Australia's first crowdfunding initiative, specifically focused on bringing the ideas of social entrepreneurs to life. This online initiative uses the power of social

media and community collaboration to raise the profile of people with innovative ideas for social change.

Operational excellence

All business units around the world focus on operational excellence to provide a superior customer experience at optimised costs. In Poland, ING Bank Slaski was the first bank in the country to offer contactless ATM withdrawals. It also launched a commerce and auction platform called ALEO for Polish entrepreneurs; by the year-end more than 10,000 companies had registered for it.

ING Romania introduced Fast Track Light Automation, a frequently used credit facility for new mid-corporate customers which processes transactions within 48 hours. ING Vysya Bank improved its infrastructure facilities and created a uniform "look and feel" fo its 527 branches.

Security and anti-cybercrime efforts remained an important priority in all business units. In 2013, ING's Cybercrime Taskforce was launched, creating a common framework and implementing best practices for combatting cybercrime and e-banking fraud.

Top Employer

Many Top Employer initiatives were continued around the world. ING Australia ran workshops to identify which tools and processes should be improved. ING Romania helped staff develop their careers by, for example, creating a mentoring framework. ING Turkey implemented a performance management system to monitor training for, and communication with, all employees. The CRF Institute awarded Top Employer certificates to ING Spain, ING France, ING Bank Slaski and ING Italy. ING Spain also received a European Great Place to Work Award. "Great Place to Work" is the world's largest employee satisfaction study, surveying about 5,500 companies. In 2013, 1.35 million employees were surveyed across 19 countries in Europe.

Awards

We won a number of awards during the year, most notably in the field of customer centricity and digital leadership. For instance, ING Australia was chosen Australia's most beloved bank by customers at the Mozo People's Choice Awards and ranked in the top 10 of national brands as the only bank. ING Spain won a "Digital Executive Award" for internet distribution, while ING Turkey led with direct banking innovation and an award-winning new branch concept – to name a few.

CONCLUSIONS AND AMBITIONS

All business units will continue to focus on the customers' needs with easy and fair products, with a focus on "digital first". They will also continue to provide fast and innovative responses, when and where required, with digital innovation remaining a top priority. This is all part of ING's overall aim to help customers manage their finances, now and for the future. Our aim is also to make a positive contribution to society and the environment. We therefore respond to society's increasing demand for products and services that meet clear social, environmental and ehtical objectives. We will continue to do so in 2014.

In 2014, continued attention will be spent on the local Top Employer programme, as we need committed and motivated employees to help realise our ambition to become the customer's preferred bank.

Commercial Banking

Client service at the heart of Commercial Banking

> We are a stronger commercial bank in 2013
> We focus on delivering a superior client experience
> We make investments to become an even better network bank
> And we focus on the One Bank structure and balance sheet optimisation

Financial overview*		
in EUR million	2013	2012
Total underlying income	4,994	4,963
Underlying operating expenses	2,310	2,372
Underlying additions to loan loss provisions	867	955
Underlying result before tax	1,817	1,635
Underlying cost/income ratio	46.3%	47.8%
Client balances: net production funds entrusted (EUR billion)	8	-5
Client balances: net production lending (EUR billion)	0	-11
Underlying risk costs in bp of average RWA	68	72
Risk-weighted assets (year-end, in EUR billion)	127	124
Underlying return on equity based on 10% core Tier 1**	11.0%	9.0%

* Underlying numbers are derived from IFRS-EU, excluding the impact of divestments and special items
** Underlying after tax return divided by average equity based on 10% core Tier 1 ratio

Underlying income		
in EUR million	2013	2012
- Industry Lending	2,004	1,953
- General Lending and Transaction Services	1,358	1,459
- Financial Markets	1,439	871
- Bank Treasury, Real Estate & Other	193	680
Total Commercial Banking	4,994	4,963

Underlying result before tax		
in EUR million	2013	2012
- Industry Lending	934	848
- General Lending and Transaction Services	518	632
- Financial Markets	618	20
- Bank Treasury, Real Estate & Other	-253	135
Total Commercial Banking	1,817	1,635

Despite the weak global economy, Commercial Banking posted a solid financial result while further developing its sustainable business model. We continued building our franchises by strengthening our capabilities to deliver a superior client service. Throughout our businesses, we have maintained strong client relationships. We have made significant progress in refocusing and streamlining our activities, maintaining tight cost discipline and advancing initiatives to further optimise our balance sheet. During 2013 we continued towards our objective of transforming ourselves into a simpler, stronger and more sustainable bank.

FINANCIAL DEVELOPMENTS

Commercial Banking's underlying result before tax rose 11.1% to EUR 1,817 million from EUR 1,635 million in 2012. 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 CVA/DVA, underlying result of Commercial Banking was 21.4% 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 934 million in 2013, up from EUR 848 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 518 million from EUR 632 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 increased to EUR 618 million from EUR 20 million last year, reflecting the aforementioned positive swing in CVA/DVA impacts. Underlying result of Bank Treasury, Real Estate & Other dropped to EUR -253 million in 2013, from EUR 135 million in 2012, mainly due to lower income from Bank Treasury activities following the lengthening of the Bank's funding profile and the further wind-down of the Lease run-off business. This was partly offset by lower impairments on real estate development projects.

Commercial Banking's total underlying income rose 0.6% to EUR 4,994 million compared with EUR 4,963 million in 2012. Excluding CVA/DVA, income declined 11.1% on 2012, due to lower interest results, especially in Bank Treasury and Financial Markets, but also in General Lending. 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 2.6% to EUR 2,310 million, due to good cost control and lower impairments on real estate development projects. The underlying cost/income ratio improved to 46.3%, from 47.8% in 2012.

Risk costs decreased to EUR 867 million, or 68 basis points of average risk-weighted assets, from EUR 955 million, or 72 basis points, 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 also lower.

The underlying return on equity, based on a 10% core Tier 1 ratio, increased to 11.0% from 9.0% in 2012 due to higher results and lower average risk-weighted assets. At year-end 2013, however, risk-weighted assets were 2.8% higher than a year ago, mainly due to lower foreclosure values of real estate assets partly offset by lower volumes and currency impacts.

BUSINESS DEVELOPMENTS

Commercial Banking is a strong European bank with a market leading franchise in the Benelux and a good position in the rest of Europe, in particular in Central and Eastern Europe. We have a global franchise and market leading positions in selected areas in Industry Lending and in liquidity management, as well as focused and efficient global Trade Finance Services and Financial Markets businesses.

We are a relationship bank for clients around the world and serve a range of organisations, including multinational corporations, governments, financial institutions and supranational organisations, through an extensive network of offices in more than 40 countries. We provide a range of products and services to support our clients' needs. Our lending capabilities anchor most of our client relationships. Transaction Services products, such as International Payments & Cash Management, Trade Banking and Working Capital Solutions are tailored, through integrated solutions and advice, to meet our clients' short- and long-term banking and liquidity requirements. Financial Markets, as the Bank's gateway to the professional markets of the world, services our client's every day needs in treasury services through to capital markets, risk management and structured financial products.

Over many years, ING has built a high quality Industry Lending business, operating within sectors in which we add value. We provide specialised commercial lending, originating well-structured loans that strike the right balance between what clients want and achieving good risk adjusted returns. We are leaders in many different industries and are acknowledged for our commitment to clients and excellent quality of service.

We are simplifying our internal organisation, harmonising and streamlining the way in which we service clients across products and countries. We continue to invest in our operating platforms, upgrading our technology and strengthening our processing capabilities. This new operating model will lead to faster and better service, fewer points of contact, better tailored solutions and an enhanced experience for clients. It will improve our overall connectivity, by harmonising processes and practices throughout our business, enabling seamless service delivery and better collaboration with colleagues around the world. This integrated approach to services, better management information and a more efficient way of working, will create an enhanced "One Bank" client experience across our network.

Our continued balance sheet optimisation efforts in 2013 provided additional capacity for us to support clients. We progressed with building integrated domestic banks by combining Retail Banking's deposit gathering capabilities with Commercial Banking's origination capabilities, resulting in a further strengthening of our business model.

It is our ambition to be the best bank for our clients and to provide the highest quality of service; to be a bank that delivers the products and services in the way clients want to receive them; with greater standardisation, uniformity in products and pricing across borders.

GENERAL LENDING AND TRANSACTION SERVICES

GENERAL LENDING

Within our General Lending business, the challenge is to maintain margins and volumes within our established risk appetite while competition intensifies, in particular in markets where large domestic banks protect their core franchises. General Lending has maintained its position as market leader in the Benelux and Central and Eastern Europe (CEE) as bookrunner in the syndicated loan market, and continued to support our corporate clients through our international network. We constantly strive to improve our corporate lending products to ensure these remain in alignment with changes in client needs, market developments and regulation. To deal with these changes in an effective way, further standardisation of our product offering and streamlining of lending processes and documentation across countries is in progress.

TRANSACTION SERVICES

We offer Transaction Services through integrated advice and solution selling. These activities require a strong emphasis on technology and operational processing. To remain competitive and to enhance our capabilities, we are continuing with our investment programme. Most notably, Payments & Cash Management is undertaking a multi-year programme to improve cost efficiency, improve client service across borders, implement market-competitive new technology and comply with new regulatory obligations. The Single Euro Payments Area ("SEPA") implementation was a high priority area in 2013. SEPA will also remain high on the agenda in 2014 given the announcement by the European Commission, early January 2014, to extend the 1 February 2014 deadline with an additional six-month transition period to 1 August 2014.

Included within Transaction Services is Bank Mendes Gans (BMG) and Trade Finance Services (TFS). BMG is a market-leading provider of specialist liquidity management solutions, including global cash-pooling and netting, to multi-national corporations. TFS finances, settles and mitigates risks of international trade for clients in all markets globally, but primarily in Asia, Central and Eastern Europe, Latin America, Africa and the Middle East.

For corporate clients, our Working Capital Solutions team has established ING as a recognised provider of receivables and payables solutions. It was awarded several prestigious client mandates in 2013, and in 2014 it will concentrate on further strengthening its market position and execution capabilities.

INDUSTRY LENDING

We have Industry Lending teams specialising in different sectors and competing in selective markets across the world. These are grouped between Structured Finance ("SF") and Real Estate Finance ("REF") businesses.

STRUCTURED FINANCE

The Structured Finance division aims for a consistent top-10 position globally in the markets in which it competes. We have three structured commercial lending services groups.

The Energy, Transport and Infrastructure Group (ETIG) specialises in capital-intensive industry sectors such as oil and gas, mining, offshore services, shipping, utilities and power, and infrastructure. ETIG performed well in 2013. The structured metals and energy finance business has continued to develop business in CEE and in Latin America. The utilities and power team continued to do business in North America and worked on renewable projects in Europe. Container finance remained a market with reasonable opportunities, although in shipping markets supply continues to exceed demand. Our approach to the shipping market has been cautious for many years and the loan book is performing within expectations.

The Specialised Financing Group comprises a number of global teams largely engaged in arranging, underwriting and lending against business cash flows in sectors such as telecommunications, media and technology. In 2013 our clients have been able to take advantage of excess supply of credit in the market, which has made it challenging to retain asset levels.

International Trade and Export Finance supports international trade in basic commodities such as oil, oil products, metals, grain, sugar and cotton. We also finance the export of capital goods and offer services to clients with long-term financing supported by export credit agencies. ING maintained its consistent support and high service levels in the commodity finance business, and continued to grow the Structured Export Finance hub in Germany. ING has become the leading bank in the syndicated loan market for companies in the commodities business.

Sustainable business practices

A Sustainable Lending team was established within Industry Lending at the end of 2012 to help ING become the preferred bank for fulfilling clients' sustainability agendas, explore new business opportunities in sustainable areas and build expertise in niche markets. It supports the re-balancing of our lending portfolio towards companies that follow sustainable business practices.

In 2013, the Sustainable Lending team worked with various experts and clients to facilitate a better understanding of the potential business opportunities in sustainable markets and build the necessary capacity to partner with clients in financing their sustainability needs.

REAL ESTATE FINANCE

Real Estate Finance's ("REF") primary activity is lending to investors in income-producing real estate backed by first mortgages. During 2013, REF sought to maintain the quality of its credit portfolio, while reducing its total exposure to this asset class, which was reduced significantly over the year. The volume of loan assets decreased to EUR 24 billion in 2013 reaching the target previously set for 2015. REF's loan portfolio was the subject of two asset quality reviews by the DNB, the Dutch central bank, which validated our own assessment of its credit quality.

FINANCIAL MARKETS

FM is a well-diversified business exposed to developed markets and fast-growing economies and focused on rates and currencies more than credit. In this business unit we offer a broad range of global solutions to assist our clients in the management of their exposures to foreign exchange, interest rate, equity, commodity or credit movements. FM also acts as ING's interface to these markets.

Credit exposure of derivatives are revalued for counterparties and for notes issued by ING and these elements, referred to as CVA/DVA, are included in the trading results of FM. As the results of these movements are not actively managed, these CVA/DVA results are not considered in the core results of the underlying trading and sales business. In 2013 these non-core results were positive, against negative non-core results in 2012.

During 2013, FM enhanced its offering through the introduction of new specialised services, the introduction of a sales trading function, renewed focus on technological automation for client execution and the introduction of a global sales Client Relationship Management system.

In addition to market structure changes, new capital rules continue to increase the capital required to support trading businesses, and dilute return on capital. As a consequence, FM will continually analyse and re-assess its business profile to ensure that we continue to maintain and outperform ING's return targets.

BANK TREASURY, REAL ESTATE & OTHER

BANK TREASURY

To adapt to new regulations and to execute ING's balance sheet optimisation strategy, ING has been coordinating treasury activities across all business lines within the Bank. This has been made possible through significant asset transfers across countries to guarantee an optimal use of our internal funding.

Bank Treasury (BT) has helped improve ING's liquidity position and supported the development of a strong Funds Entrusted base which will support future asset origination within Commercial Banking. Through its investment portfolio management arm, BT is continuously transforming the bank investment portfolio into a liquid asset buffer, applying selective de-risking while maintaining the net interest margin of the portfolio.

Finally, BT continues to closely monitor developments concerning the future European banking union and other regulatory changes that will affect the Bank's liquidity profile. Balance sheet optimisation will remain a priority for ING in the coming years.

REAL ESTATE & OTHER

Commercial Banking has a separate unit involved in the run-off and closure of non-core activities. The Real Estate & Other ("RE&O") division consists of the residual assets of the legacy businesses sold or discontinued within the former Real Estate Development and Real Estate Investment Management businesses. It also includes General Lease operations outside ING's home markets which have been placed in run-off. A dedicated organisation was established to oversee the discontinuation of operations ensuring the necessary control and management oversight.

RE&O continued to reduce its exposure substantially despite the ongoing challenging market. RE&O also succeeded in accelerating the wind down of several lease operations by the sale of lease portfolios. Although impairments and risk costs are still at considerable levels, the portfolio is adequately provisioned and being wound down in a controlled manner.

CUSTOMER CENTRICITY, OPERATIONAL EXCELLENCE, TOP EMPLOYER

CUSTOMER CENTRICITY

Client service remains at the heart of Commercial Banking and market leadership positions were maintained within our core franchise areas.

Since 2010, hundreds of clients have participated annually in the Net Promoter Score (NPS) programme of Commercial Banking. The detailed client feedback received through this programme is used to monitor and improve clients' experiences, optimising our services and internal processes. The NPS programme has been implemented in selected countries and will be further rolled out in Europe and the US in 2014.

In the Netherlands, customer surveys carried out by Greenwich Associates confirmed Commercial Banking's number one position for the fourth consecutive year. The Greenwich results show that ING has a primary position in term of lead relationships, followed at some distance by other large banks in the Netherlands.

ING was also recognised by *Euromoney* and *Global Finance* as "Best Bank in the Netherlands". *The Banker* awarded ING Bank the "Bank of the Year in the Netherlands" accolade for the third year in a row, "Bank of the Year in Belgium" and "Bank of the Year in Western Europe". These awards are a true recognition of our commitment to support our clients during this challenging financial period.

Structured Finance maintained its strong positions in its markets and was successful in seven categories of the annual *Project Finance International* awards, including the "Corporate Deal of the Year (Europe)", the "PPP Deal of the Year (Europe)" and "Rail Deal of the Year (Europe)". Trade and Commodity Finance maintained a top three position in its markets and won awards from *Trade Finance* for example "Best Structured Commodity Finance Bank (Global)".

In addition ING is number-one bookrunner for Offshore Services syndicated loans in 2013 according to Dealogic's Global Bookrunner league tables.

We also retained our number one position in key areas such as Mandated Lead Arranger (MLA) for syndicated loans in the Netherlands by number of deals and number one MLA and bookrunner in the Benelux by number of deals. For the fourth consecutive year ING Commercial Banking received recognition as the "Best Equity Broker in the Benelux" in the Extel Survey.

Similarly in Central and Eastern Europe (CEE), ING maintained its strong market position, supporting its key client base. Many important transactions were closed and again Commercial Banking was ranked number one in CEE league tables as MLA and bookrunner by number of deals. For the second consecutive year, readers of *Treasury Management International* magazine (TMI) named ING Commercial Banking as "Best Cash Management Bank in Eastern Europe".

While market conditions have been challenging, ING executed major benchmark transactions for our clients, strengthening our relationships through our consistent support and by excelling in high value-added advice and creative financing solutions.

Clients appreciated ING's hands-on, creative approach, ability to co-ordinate a complex blend of products in a time-critical manner, structuring expertise and our seamlessly delivered support.

- ING Corporate Finance, for example, acted as joint financial adviser to Heathrow (AH) Ltd, in the sale of Stansted airport to Manchester Airports Group for GBP 1.5 billion. The largest shareholder of Heathrow (AH) Ltd is the Spanish conglomerate Ferrovial with which ING has enjoyed a longstanding relationship.
- ING won several mandates for the refinancing of Clondalkin's core debt financing of approximately EUR 585 million, primarily in fixed and floating rate notes. The transactions, which included a receivables securitisation programme alongside a USD Term Loan, have transformed the structure of the Clondalkin Group, an international producer of high value-added packaging products and services, and resulted in a positive outlook from rating agencies.
- ING played a leading role in the GBP 3.6 billion whole business securitisation for Arqiva, a top communications infrastructure and media services company in the UK. Included was an innovative financing structure and security package, in which a wide range of ING products was involved (Structured Finance, Financial Markets and Debt Capital Markets), enabling Arqiva to secure a BBB rating on senior bonds from Standard & Poor's and Fitch. This transaction has received a *Project Finance International* Award in the category Europe, Corporate Deal of the Year.
- ING also acted as Mandated Lead Arranger in the landmark EUR 1 billion project finance facility for the 288 megawatt Butendiek offshore wind park, contributing to the Commercial Banking portfolio of renewable power project financings. The Butendiek project will make an important contribution to Germany's transition towards renewable energy.

The increase in the volume of sustainable business across our Commercial Banking activities echoes the global trend for an increase in sustainable investments, lending and finance. We strive to meet the growing demand from clients for products with clear social and environmental objectives. From our financing and lending activities to payroll and cash management, we witness first-hand how trends can impact our business and that of our clients. "Financing Sustainability" was the theme of ING Commercial Banking's marketing campaign, highlighting environmentally friendly transactions in 2013, such as the above-mentioned Butendiek transaction, that helped finance the transformation towards a more sustainable economy.

OPERATIONAL EXCELLENCE

Commercial Banking is now in the execution phase of a strategic investment programme to improve the client experience, enhance product delivery and achieve business efficiency by creating a robust, cost-effective operating model that will support the business and streamline technology across all product lines and countries over the coming years. The initiative includes greater investment in mobile solutions and global IT applications and a move to more hub-based booking and processing of Commercial Banking business.

This will improve the overall flexibility of our Commercial Banking business model, while supporting further balance sheet optimisation. The establishment of two new Global Services &

Operations ("GSO") hubs was completed in 2013. The GSOs will support multiple locations across Commercial Banking, delivering standardised, shared booking and processing in a high quality, cost-effective manner. This will result in greater agility, consistency of services for clients and management of risk. Overall, Commercial Banking aims to deliver superior client experience.

TOP EMPLOYER

Banking is all about people: our people's engagement, sustainable performance and strong development are key drivers for successful client servicing. With continued pressure on our cost base in 2013, we had to make difficult decisions in several areas. At the same time, we had to keep employees engaged and motivated. Commercial Banking therefore made it a priority to continue to build a learning organisation in 2013. We enhanced our offerings both in technical training for all staff as well as in specific leadership programmes.

One example was the development of international learning curriculums, offered through global learning portals. We combined this with the launch of our "Heart of Orange Leadership" programme, in which leaders take time to reflect on what drives them, learn to mobilise competent teams and share experiences. These initiatives are contributing to a strong and agile workforce. We remain a people business.

CONCLUSIONS AND AMBITIONS

Despite the weak global economy, Commercial Banking posted a solid financial result, deepened its client relationships and strengthened its capabilities.

We are transforming into a simpler, stronger and more sustainable bank. We continued to refocus and streamline our activities, maintained cost discipline and pursued our initiatives on balance sheet optimisation.

Our ambition is not only to become a stronger bank, but also a better bank for our clients, who increasingly choose banking relationships based on the quality of solutions offered, combined with effective service delivery. To become that better bank we have reconfirmed our target customer base and the products we offer, and are adapting the way we serve and deliver products to them. We have launched a number of initiatives to optimise our business model across products and countries, streamlining our operational infrastructure and renewing our IT platform.

In summary, we are profitable, we are developing our already impressive capabilities in Europe and elsewhere and, most important of all, we are delivering what clients want.

Insurance overview

MANAGEMENT BOARD NN GROUP N.V.
on 1 March 2014
MANAGEMENT BOARD ING VERZEKERINGEN N.V.
on 31 December 2013

R.A.J.G. (Ralph) Hamers
chief executive officer
E. (Lard) Friese
vice-chairman
D. (Delfin) Rueda
chief financial officer

S.D. (Doug) Caldwell
chief risk officer
P.G. (Patrick) Flynn
W.F. (Wilfred) Nagel
D.E. (Dorothee) van Vredenburch

Financial overview*/***		
in EUR million	**2013**	2012
Operating result ongoing business**	**886**	833
Non-operating items ongoing business:	**-229**	-779
of which gains/losses and impairments	**97**	70
of which revaluations	**3**	-319
of which market and other impacts	**-329**	-531
Japan Closed Block VA	**-669**	105
Special items before tax	**-126**	-451
Result on divestments and discontinued operations	**221**	770
Result before tax	**83**	478
Taxation/minority interest	**35**	10
Net result	**48**	468
New sales life insurance (APE)	**1,227**	1,353
Total administrative expenses ongoing business	**1,807**	1,806
Cost/income ratio ongoing business (adm. exp./ operating income)	**37.2%**	36.1%
Investment Management AuM (end of period, in EUR billion)	**174**	185
Combined ratio (Netherlands Non-life, year-to-date)	**101.5%**	101.5%
NN Group IGD Solvency ratio	**257%**	236%

* Underlying numbers are derived from IFRS-EU, excluding the impact of divestments, discontinued operations and special items.
** Operating result is underlying result before tax excluding non-operating items.
*** Excluding the results of the discontinued operations of ING U.S. and the results of Insurance Other.

Operating result ongoing business		
in EUR million	**2013**	2012
Netherlands Life	**686**	604
Netherlands Non-life	**79**	103
Insurance Europe	**199**	219
Japan Life	**162**	196
Investment Management	**130**	109
Other	**-371**	–398
Total	**886**	833

Reconciliation from Operating result ongoing business to Underlying result before tax		
in EUR million	**2013**	2012
Operating result ongoing business*	**886**	833
Non-operating items ongoing business	**-229**	-779
Japan Closed Block VA	**-669**	105
Underlying result before tax NN Group	**-12**	159

* Excluding the results of the discontinued operations of ING U.S. and the results of Insurance Other.

ING made significant progress restructuring its insurance and investment management businesses in 2013. In Europe, NN Group progressed towards becoming a standalone business, significantly transforming its operations. ING U.S. was listed on the New York Stock Exchange and the divestment of the Asian insurance and investment management businesses was largely completed. In all its businesses, ING continued to work towards improving the customer experience.

FINANCIAL DEVELOPMENTS

The operating result ongoing business of NN Group was EUR 886 million in 2013, a 6.4% increase compared with EUR 833 million in 2012, mainly driven by higher operating results for Netherlands Life, Investment Management and the Other segment. This improvement was partially offset by lower operating results for Insurance Europe, Japan Life and Netherlands Non-life.

The loss from non-operating items related to ongoing business improved to EUR 229 million in 2013 from EUR 779 million in 2012. Revaluations, which amounted to a loss of EUR 319 million in 2012 due to the impact of negative revaluations of equity hedges and real estate investments of Netherlands Life, improved to a gain of EUR 3 million in 2013. The provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands had a EUR 202 million lower adverse impact as reflected in market and other impacts.

The result before tax of Japan Closed Block VA was a loss of EUR 669 million in 2013, compared with a profit of EUR 105 million in 2012. This decrease was primarily due to a EUR 575 million charge in order to bring the reserve adequacy of the business line to the 50% confidence level as of 1 October 2013, due to a change in the segmentation of operations that was introduced in the fourth quarter of 2013.

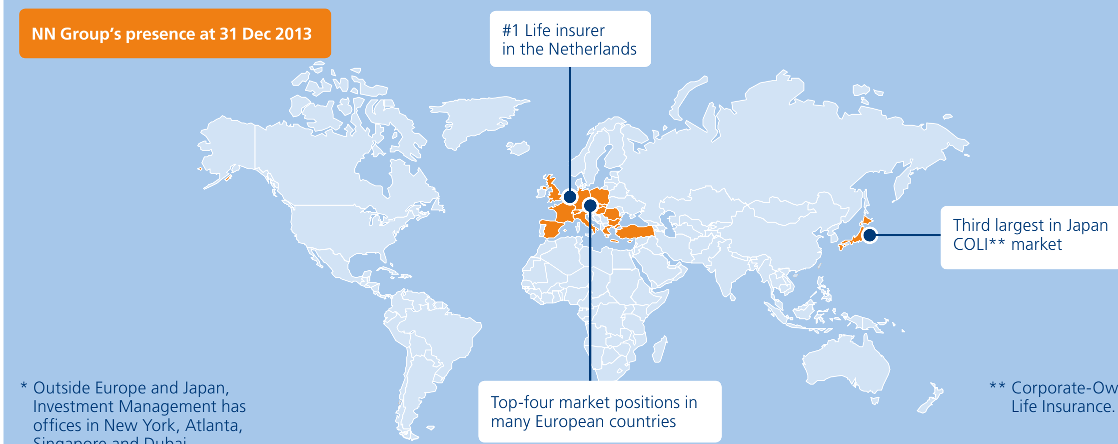
Special items before tax improved to a loss of EUR 126 million in 2013 from a loss of EUR 451 million in 2012, as a result of the provisions set up for the restructuring programme in the Netherlands in 2012 and reduced costs for the operational separation from ING in 2013.

Results on divestments and discontinued operations was EUR 221 million in 2013, compared with EUR 770 million in 2012. The result in 2013 mainly reflected NN Group's share in net result from discontinued operations. Furthermore, the gain on the sales of the insurance operations in Hong Kong, Macau and Thailand were offset by the loss on the sale of ING Life Korea. The result in 2012 reflected the gain on the sale of Insurance Malaysia and NN Group's share in the net result from discontinued operations, partly offset by goodwill write-offs on the insurance and investment management operations in Korea.

The result before tax decreased to EUR 83 million in 2013, compared to EUR 478 million in 2012. This decrease was the result of lower results on divestments and a decrease in the result for Japan Closed Block VA as a result of the one off charge of EUR 575 million, partly offset by a lower loss of non-operating items and lower adverse impact from special items.

WHERE WE OPERATE*

NN Group has a strong position as a provider of life insurance, retirement and investment management services and is well positioned to capitalise on socio-economic trends.



* Outside Europe and Japan, Investment Management has offices in New York, Atlanta, Singapore and Dubai.

** Corporate-Owned Life Insurance.

BUSINESS DEVELOPMENTS

In 2013, ING made strong progress in restructuring its insurance and investment management activities. In Europe, preparations for a base case IPO (initial public offering) advanced well and, depending on market conditions, a transaction is planned for 2014, with NN Group N.V. as the IPO entity.

Accelerating the transformation of the European insurance and investment management operations was a major priority during the year. This resulted in increased efficiency and effectiveness, a sharper strategic focus, improved processes and systems and in the Netherlands, reduced management layers of support staff.

In 2013 the business continued to execute its customer-focused strategy. In many countries it won awards for this approach. In Romania, for example, ING won awards from *PRIMM-Asigurari si Pensii* magazine for "Quality of Services in Life Insurance" as well as an award for "Excellence in Administration" of the ING Optim pension fund. Netherlands Non-life launched a website to help intermediaries provide better customer service. In Greece, a new health product was launched with easy-to-understand language, illustrations and an easy-to-use manual. Japan Life received a three-star rating (out of a maximum of three) from HDI Japan ("Help Desk Institute") for its after-sales call centre.
More than 71% of Investment Management's funds have outperformed their respective benchmarks on a three year weighted-average basis.

AGREEMENT WITH EUROPEAN COMMISSION

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

As such, the timeline to divest more than 50% of Japan Life has effectively been extended by two years to year-end 2015. This is the agreed timeline to divest more than 50% of ING's European insurance and investment management businesses.

Also as part of the revised EC agreement, ING will accelerate the time to complete the 100% divestment of its insurance and investment management activities in Europe and Japan by two years, to year-end 2016.

NN GROUP

NN Group is a leading insurance and investment management company with a predominantly European presence in 18 countries. Its purpose is to help customers secure their financial futures: helping them manage and protect their assets and income through pensions, investments, insurance, savings and mortgages.

Its strategy is to deliver an excellent customer experience by offering appealing and transparent products and services, multi-access distribution, efficient and effective operations, and to maintain a solid balance sheet that keeps customers' money safe and delivers shareholder value.

In October, future plans were announced to rebrand the insurance and investment management activities in Europe and Japan as NN. This new identity links the company's heritage and Dutch roots with the requirements of an international forward-looking brand.

Local business descriptors will be added to the NN brand in different countries. Investment Management will rebrand as NN Investment Partners. The operational rebranding process is scheduled to begin after NN Group has been successfully brought to the market.

As part of the preparations to become a standalone company through a base case IPO, changes were made to the reporting segmentation in the fourth quarter of 2013, as follows:

- Netherlands Life
- Netherlands Non-life
- Insurance Europe
- Japan Life
- Investment Management
- Other
- Japan Closed Block VA

AMERICAN DIVESTMENT

In May, ING U.S. listed on the New York Stock Exchange and began operating as a publicly traded company. The listing initially reduced ING Group's stake in ING U.S. to 71%.

In September, the remaining stake in ING U.S. was transferred from NN Group to ING Group. Later in the year, ING Group successfully sold a second tranche of shares, reducing its stake further to 57%.

The 2012 Amended Restructuring Plan requires ING Group to divest at least 25% of ING U.S. by 31 December 2013; more than 50% by 31 December 2014; and 100% by 31 December 2016.

ASIAN DIVESTMENT

Good progress was made in 2013 in divesting the Asian Insurance and Investment Management businesses. By year-end, most of these businesses, including ING's life insurance companies in South Korea, Hong Kong, Macau and Thailand, its 26% interest in ING Vysya Life Insurance Company Ltd and its 49% stake in South Korean insurer KB Life had been divested. An agreement had also been announced to sell a 50% stake in the Chinese insurance joint venture ING-BOB Life Insurance Company. It also completed the sale of its 33% stake in China Merchants Fund, which was announced in 2012. Investment Management businesses in Malaysia, Thailand and South Korea were also sold. The sale of the interest in the joint venture ING Financial Services Private Limited to Hathway Investments was completed. In early 2014, an agreement was reached to sell the investment management business in Taiwan. ING resolved the remaining divestment of its Asian insurance and investment management operations with the inclusion of ING Life Japan in the base case IPO of NN Group.

GOVERNANCE NN GROUP

On 28 February 2014, before the finalisation of the 2013 consolidated financial statements, ING Insurance Topholding N.V. legally merged with its wholly-owned subsidiary ING Verzekeringen N.V. The legal merger became effective as of 1 March 2014 and on that date the merged entity was renamed NN Group N.V. Through this merger, the legal entity ING Verzekeringen N.V. ceased to exist and NN Group N.V. became the legal successor of ING Verzekeringen N.V.

NN Group N.V. became the entity for the base case IPO for the European and Japanese insurance and investment management operations. Until 1 March 2014 these operations were conducted under the umbrella of ING Verzekeringen N.V. In this Annual Report, NN Group will be used to indicate these operations.

The board of NN Group N.V. consists of:

- Ralph Hamers, CEO
- Lard Friese, vice-chairman
- Delfin Rueda, CFO
- Doug Caldwell, CRO
- Patrick Flynn
- Wilfred Nagel
- Dorothee van Vredenburch

GOVERNANCE ING U.S.

Prior to the completion of its initial public offering ("IPO") in May 2013, ING U.S., Inc. ("ING U.S.") was an indirect wholly owned subsidiary of ING Group. Following the ING U.S. IPO, and consistent with the terms of its shareholder agreement with ING U.S., ING Group retained control of a majority of the ING U.S. board of directors and ING U.S. continued to be part of ING Group's consolidated business operations. ING U.S. has announced that it expects to rebrand over the course of 2014 to Voya Financial, Inc. and to change its legal name to Voya Financial, Inc. in April 2014. In May 2014 the ING U.S. Investment Management and Employee Benefits businesses also will begin using the Voya Financial brand.

ING U.S. has elected to be treated as a "controlled company" for purposes of NYSE corporate governance rules, and accordingly, for as long as ING Group owns more than 50% of the ING U.S. outstanding common stock, ING U.S. will not be subject to the requirement that a majority of its directors be "independent" as defined under such rules.

The board of ING U.S., Inc. consists of:

- Rodney Martin, Jr., chairman
- John Boers
- Patrick Flynn
- Barry Griswell
- Dick Harryvan
- Frederick Hubbell
- Henny Koemans
- Wilfred Nagel
- David Zwiener

CUSTOMER EXPERIENCE

NN Group's aim is to help customers secure their financial future. NN Group's strategy focuses on offering appealing and easy-to-understand products and services, multi-access distribution and efficient and effective operations. In line with its ambition to be a leading, responsible and customer-centric organisation.

Enhancing the customer experience means being accessible, listening to the needs of customers, following-up on their expectations, and offering them products and services that are suitable to their needs. The result is that we help create a stronger financial future for our customers.

In 2013, new corporate values were introduced which place the customer first and put emphasis on products being easy to understand, transparent and accessible. NN Group cares about its customers, aims to be clear, and commits to them.

SUPPORTING AND DEVELOPING EMPLOYEES

For a customer-focused organisation such as NN Group, engaged employees are the key to success. This means attracting the right people, empowering them, giving them clear accountability and ensuring that they focus on continuous development and set ambitious but realistic goals.

Employees are encouraged to invest in themselves and in their employment prospects. Employees are given, for example, training, coaching and internships. In the Netherlands they are also offered retraining advice if they are made redundant.

2013 was a year of major transition for the insurance and investment management operations in the Netherlands. As announced in November 2012, the transformation programme in the Netherlands is expected to result in an estimated headcount reduction of 1,350 FTEs over the period 2013-2014. By the end of 2013, a reduction of 818 FTE was realised.

The restructuring has resulted in stronger governance, better integrated support functions, and three distinct Dutch business lines: Netherlands Life, Netherlands Non-life and Nationale-Nederlanden Bank. Supporting employees through this transition was a key priority for the company.

A three-year collective labour agreement was signed, which included the goal of stabilising labour costs as well as integrating WestlandUtrecht employees into Nationale-Nederlanden Bank. Despite the turbulence of the past few years, employee engagement remained high. This was also reflected in employees' willingness to involve themselves in community activities outside the company in many countries.

SUSTAINABILITY

Embedding sustainability in core activities and processes remained a key priority. The businesses strive – in their daily actions and decision making – to strike a balance between financial interest and their impact on society and the environment. This entails – amongst others – offering products and services that are suitable, transparent and contribute to the financial wellbeing of our customers.

NN Group's ambition is to play a leading role in improving industry standards. Its aim is to be a trusted partner in financial matters, providing guidance and financial education so consumers better understand and secure their financial future. Efforts to become an even stronger company for stakeholders, for example by continuing to make things easier and simpler for customers, are a significant aspect of its business strategy.

In the field of responsible investing, Investment Management has taken significant steps in integrating environmental, social and governance ("ESG") aspects into the investment process. Sustainable assets under management increased by 8.3% to EUR 3.5 billion. In line with being an active investor, Investment Management also attends shareholder meetings of its investee companies. In 2013 it introduced the publication of quarterly Active Ownership reports on its voting and engagement activities.

ING became one of the founding signatories of the United Nations Principles for Sustainable Insurance (PSI) in 2012, which underlines its commitment to embedding ESG considerations into strategy and decision making. In 2013, the PSI strategy for the coming years was written and approved by all PSI members.

NN Group takes its role in society seriously. Activities range from financial education to health and wellbeing initiatives. They involve raising funds and employees volunteering their time for special projects.

SOLVENCY II

Throughout 2013, the insurance business worked towards meeting the European Union's Solvency II Directive's requirements, particularly with respect to adapting ING's risk measurement, risk management and reporting to the levels required.

The trial Internal Model Application Package ("IMAP") was submitted to DNB, the Dutch regulator, in 2013. The submission was a first step towards gaining approval for an internal model for the quantification of NN Group's capital requirements. The review of the IMAP by the College of Supervisors (a group of international supervisors) and the further firming up of Solvency II measures will form the basis of ING's implementation efforts.

In November, a major milestone was reached in Brussels. The European Parliament, Council and European Commission reached a political deal on the Omnibus II Directive – amending the 2009 Solvency II Framework Directive. Solvency II's implementation is planned for 1 January 2016.

NN Group will continue to play a role in discussions with the industry and with regulators on developing Solvency II so that it is robust and helps life insurance companies continue to meet the long-term financial needs of their customers.

CONCLUSIONS AND AMBITIONS

In 2013 strong progress was made in the European and Japanese insurance and investment management restructuring programme and on improving the customer experience and operational performance.

NN Group's overall ambition is for customers to choose its products and services based on their previous positive experience with its businesses. The priorities for the business are to be a strong, sustainable company, delivering excellent customer service and transparent products. The priorities also include providing multi-access distribution, having efficient and effective operations and generating capital.

NN Group

> Leading insurance and investment management company with a predominantly European presence
> NN to be the future brand name
> Strong presence across mature and growth markets
> Focused on delivering a superior customer experience and operational excellence

NN Group is a leading insurance and investment management company with a strong, predominantly European presence in 18 countries. With more than 12,000 employees, it offers retirement services, insurance, investments and banking to retail, SME, corporate and institutional customers. NN Group's aim is to help customers secure their financial future. In 2013, it leveraged its scale in mature markets and delivered profitable growth in emerging markets. In many countries NN Group won awards for its customer-focused approach, and for making things easier and simpler for customers.

NETHERLANDS LIFE

> Responding to changes in the Dutch life insurance market
> Delivering operational excellence in the group pensions and life businesses to create a customer-driven organisation
> Lowered costs and improved capital position

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

FINANCIAL DEVELOPMENTS

The operating result for Netherlands Life was EUR 686 million in 2013 compared with EUR 604 million in 2012, mainly due to a higher technical margin partly offset by lower fees and premium based revenues.

The investment margin decreased to EUR 535 million in 2013 from EUR 542 million in 2012, after a slight decline in investment income mainly due to lower dividends on equity securities.

Compared with 2012, fees and premium-based revenues in 2013 decreased by EUR 47 million to EUR 461 million, mainly due to the run-off of the individual life closed book portfolio as well as lower cost charges to clients within individual unit-linked insurance policies from 2013 onwards.

In 2013 the technical margin was EUR 237 million, a 68.1% increase from EUR 141 million in 2012, mainly driven by non-recurring movements in technical provisions in both years.

Administrative expenses decreased to EUR 472 million in 2013 compared with EUR 495 million in 2012, mainly due to the transformation programme in the Netherlands partly offset by higher pension expenses.

DAC amortisation and trail commissions declined 18.5% to EUR 75 million in 2013, in line with the decline in new life sales and reduced acquisition costs, as a result of the commission ban on complex products in the Netherlands.

Gains/losses and impairments decreased to a EUR 43 million loss in 2013 from a gain of EUR 138 million in 2012. The loss in 2013 was mainly due to impairments on real estate, while the gain in 2012 was mainly driven by realised gains on equities.

Revaluations improved to a gain of EUR 27 million compared to a loss of EUR 296 million in 2012. Negative real estate revaluations in 2013 were more than offset by positive revaluations of private equity. The loss in 2012 included a EUR 206 million loss on equity hedges and a EUR 149 million negative revaluation of real estate, partly offset by a EUR 20 million positive revaluation of private equity.

The 2013 loss of EUR 329 million in market and other impacts was mainly a result of the change in the provision for guarantees on separate account pension contracts (net of hedging). This included a non-recurring loss of EUR 177 million from a refinement of the market interest rate assumption to further align the accounting and the hedging for the separate account pension business. In 2012, the loss from the change in the provision for guarantees on separate account pension contracts (net of hedging) was EUR 530 million.

Special items were a loss of EUR 22 million in 2013, primarily due to preparation costs for the base case IPO. This compared to a loss of EUR 225 million in 2012 which primarily reflected reorganisation provisions related to the transformation programme announced in late 2012 as well as expenses related to the operational separation from ING Group.

Result on divestment was a gain of EUR 6 million in 2013, compared with a loss of EUR 25 million in 2012. The loss in 2012 was related to the final settlement of the divestment of group pension contracts which were transferred to an industry wide pension fund.

The result before tax was a gain of EUR 325 million in 2013, compared with a loss of EUR 335 million in 2012, driven by an improvement in non-operating items and lower adverse impact from special items as well as the increase in operating result.

BUSINESS DEVELOPMENTS

Netherlands Life offers a range of group life and individual life insurance products. Its group life policies are primarily group pension products. Its individual life insurance business primarily consists of the closed-block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of Nationale-Nederlanden, RVS and ING Verzekeringen Retail, formerly known as Postbank Insurance. Netherlands Life also provides pension administration and management services through its AZL brand.
Netherlands Life was the largest life insurer in the Netherlands as measured by Gross Written Premiums (GWP) in 2012, the most recent year of official figures, collected by DNB.

In the pensions market, the persistently low-interest rate environment and longevity risk have increased employers' funding costs for pension schemes. Through Netherlands Life's Pensions division, Netherlands Life provides pension solutions to businesses of all sizes. It offers insured and non-insured pension solutions, bundled and unbundled options, and works in close collaboration with pension administrator AZL and ING Investment Management. Netherlands Life Pensions is able to help existing and new customers move from Defined Benefit to Defined Contribution pension schemes, giving employers greater certainty over the funding cost of their pension schemes and at the same time reducing risk and capital requirements for Netherlands Life.

The individual life insurance market is going through major change, driven in part by the economic downturn which is affecting consumer confidence and spending patterns, and by new regulations related to commissions on how individual life insurance products are sold. A major shift towards bank annuity products is taking place. In response to these developments, Netherlands Life is lowering costs by streamlining its processes and systems, and improving the customer experience. Netherlands Life is focused on providing excellent service to clients who have purchased individual contracts in previous years. It will continue to provide simple solutions by offering term life and direct annuities to prospective retail customers.

In 2012, Netherlands Life stepped up its efforts in compensating customers with individual unit-linked policies based on the compensation scheme with two consumer protection organisations and also based on additional measures (''flankerend beleid") that comply with the "Best in Class" criteria as formulated by the Dutch Minister of Finance. By early 2013, all policyholders of an individual unit-linked policy were informed about their compensation. The agreements with the two consumer protection organisations are not binding on policyholders. For more information, please refer to 'Legal proceedings' in the Accounts section of this Annual Report.

CUSTOMER EXPERIENCE

Netherlands Life measures and analyses its Net Promoter Score (NPS) results and complaints. It adjusts processes in line with customers' feedback and expectations.

In pensions, its objective is to help customers make informed decisions about their financial future throughout their lives. In 2013, Netherlands Life improved the quality of its communication with customers. For example, it introduced a new website www.thuisinpensioen.nl where customers can find answers to questions about pensions.

PRODUCTS

Netherlands Life launched a Defined Contribution (DC) pension product (Essentie Pensioen) in 2012 which bundles insurance from Nationale-Nederlanden, pension administration by AZL and investment management services from Investment Management. It launched another DC product (Bewust Pensioen) in 2013, which is based on a straight-through-processing framework and offers guarantees and investment opportunities. With these two products, Netherlands Life is well positioned to capture more opportunities in the growing DC market.

DISTRIBUTION

As a result of the legislative ban in 2013 on commissions for complex financial products and stricter requirements for certification, there has been a reduction in the number of intermediaries in the Dutch market. At the same time new distributors have appeared, who are expanding their services, and distributing pension products together with financial advice to their clients.

In group life, Netherlands Life is increasingly offering DC propositions, both insured and non-insured, alongside its full service Defined Benefit (DB) pension solutions. Furthermore, due to the greater use of digital tools, processes are becoming more efficient for customers.

CONCLUSIONS AND AMBITIONS

Netherlands Life's ambition is to help its customers make the right decisions about their financial future and it will achieve this by guiding them through effective and easy-to-understand products.

NETHERLANDS NON-LIFE

> The profitability of income protection products improves
> Run rate expenses are decreasing due to product and process innovation
> Customer service is improving

Netherlands Non-life's aim is to lower expenses, create innovate products and to further improve customer and intermediary service levels. It continues to sell its products through multiple distribution channels. Intermediaries continue to play an important role, but bancassurance and direct channels are also an integral part of Netherlands Non-life's distribution strategy.

FINANCIAL DEVELOPMENTS

The operating result for Netherlands Non-life was EUR 79 million in 2013, a 23.3% decline compared with EUR 103 million in 2012, mainly due to a lower operating result in the Property & Casualty (P&C) segment partly offset by a higher operating result in the Disability & Accident (D&A) segment.

Operating income was EUR 1,729 million in 2013, a 6.2% decrease compared with EUR 1,844 million in 2012. This decrease was largely driven by lower earned premiums in the SME P&C and D&A segments due to the challenging economic conditions and an underwriting focus on value and return over volume. Other income comprising commission income earned by NN Group's wholly-owned insurance brokers, Mandema and Zicht, showed a decrease as a result of the new legislation prohibiting insurance companies to pay commissions to brokers, which became effective in 2013.

Expenditure improved to EUR 1,651 million in 2013 compared with EUR 1,741 million in 2012. This improvement was driven by a significant reduction in claims frequency for disability and accident insurance products following the implementation of a recovery programme in 2011 and 2012. The recovery was also strengthened by a significant improvement in the claims experience for short-term disability products. The restored profitability of the Income business was partly offset by a relatively high volume of significant claims in the fire product line and several large storms in the fourth quarter of 2013, which increased expenditures in the P&C market segment. Administrative expenses increased by EUR 19 million mainly as a result of higher pension expenses, which more than offset the impact of the transformation programme in the Netherlands.

The result from non-operating items was a gain of EUR 4 million in 2013 compared with a loss of EUR 15 million in 2012. The positive result reflects improved revaluations of both real estate and private equity assets in 2013 and negative revaluations of the direct equity hedge in 2012.

Special items were a loss of EUR 16 million in 2013, primarily due to preparation costs for the base case IPO. This compared to a loss of EUR 140 million in 2012, which mainly reflected reorganisation provisions related to the transformation programme announced in late 2012 and expenses for the operational separation from ING Group.

The result before tax increased to a gain of EUR 66 million in 2013 from a loss of EUR 51 million in 2012. The decrease in operating result was more than offset by an improvement in non-operating items and special items.

BUSINESS DEVELOPMENTS

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

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

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

Furthermore, by innovating products and processes it lowered run rate expenses. In the property and casualty business, it downsized the product portfolio in line with the focus on retail, SMEs and the self-employed.

PRODUCTS AND SERVICES

Netherlands Non-life broadened its non-life insurance package for companies in 2013. It introduced, for example, cover for disruption to web shops such as cybercrime, and launched an insurance package to protect employers and their businesses against illness and disability. The broadened range of insurance also supports intermediaries who are able to offer their business customers more insurance options.
In the retail space, Netherlands Non-life began to offer online travel insurance and cover against unexpected legal expenses. A new website was launched for intermediaries (www.adviseur.nn.nl) which includes a tool to select customers for mailing promotions.

Netherlands Non-life is constantly improving its processes by implementing straight-through-processing (STP). This not only enhances the customer experience but reduces manual work, errors and costs.

DISTRIBUTION DEVELOPMENTS

Netherlands Non-life continues to distribute its products through third-party channels, but in 2012 it started to provide retail products via its own direct channels, and it enhanced these channels in 2013. In the SME market for income protection and for property and casualty products, the intermediary channel remained the dominant distribution channel because of the complexity and the need-for-advice nature of the products. Distribution via ING Bank continued to deliver encouraging results in the Property and Casualty market.

CONCLUSIONS AND AMBITIONS

The weak economic environment continued to affect the business, but Netherlands Non-life is on track with profit recovery. It continues to improve its products and processes, enhance the customer experience and to lower expenses.

INSURANCE EUROPE

> Accelerated portfolio growth by improving the customer experience
> Focus on protection and investment products and building a multi-channel distribution platform
> Priority on cost containment

In spite of the challenging macroeconomic environment in many European countries, Insurance Europe achieved growth in 2013 by increasing multi-channel distribution and improving service levels, which resulted in higher NPS scores. Insurance Europe has a strong focus on profitable growth.

FINANCIAL DEVELOPMENTS

The operating result for Insurance Europe was EUR 199 million in 2013, a 9.1% decline compared with EUR 219 million in 2012. Lower investment margin and a lower technical margin were partly offset by lower administrative expenses.

The investment margin for 2013 was EUR 105 million, compared with EUR 122 million for 2012. This decline reflects lower re-investment yields and the impact of a regulatory change, both in the Czech Republic.

Fees and premium-based revenues decreased slightly from EUR 514 million in 2012 to EUR 507 million in 2013, mainly due to lower unit-linked premiums in Belgium and Luxembourg.

The technical margin decreased to EUR 191 million in 2013 from EUR 210 million in 2012, mainly due to lower surrender results in Greece and lower morbidity margin in Romania and Greece. These declines were partly offset by a EUR 10 million reclassification of the Belgian crisis tax, booked in the technical margin in 2012, to DAC amortisation and trail commissions in 2013.

Administrative expenses were EUR 310 million in 2013, a 7.2% decrease compared with EUR 334 million in 2012. This decrease partly reflects the incurrence of a one-off financial institution tax in Hungary of EUR 15 million in 2012 and tight cost control throughout the region in 2013, the impact of the latter partly offset by investments in new business in Turkey.

DAC amortisation and trail commissions decreased slightly to EUR 319 million in 2013 from EUR 321 million in 2012. DAC amortisation and trail commissions in Belgium decreased due to a new commission agreement with distributor ING Bank Belgium as well as lower sales, offset by the reclassification of the Belgian crisis tax.

Non-operating items increased to a gain of EUR 53 million in 2013 from a loss of EUR 66 million in 2012. This increase reflects a EUR 48 million gain on the sale of Dutch and German government bonds in Belgium in 2013, as compared with capital losses and impairments on financial and government bonds in Belgium and Spain in 2012.

Special items were a loss of EUR 9 million in 2013, primarily related to expenses for a regional transformation programme. This compared with a loss of EUR 38 million in 2012, which included expenses related to the operational separation from ING, expenses for the transformation programme and expenses related to the base case IPO.

The result before tax increased to EUR 243 million in 2013 from EUR 115 million in 2012. The decrease in operating result was more than offset by an improvement in non-operating items and special items.

BUSINESS DEVELOPMENTS

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

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

CUSTOMER FOCUS

Insurance Europe is making clear progress in improving the customer experience and received awards for this in several countries. In Poland an electronic application for customers significantly reduced online claims handling and service time. In Romania new functions in MyING, the first self-service portal in the local life insurance market, were introduced. Spain launched a new customer website including a self-service portal with improved functionality; policies can now be delivered within two days from application.

In the Czech Republic, about 80% of claims are processed within five days. In Belgium the car insurance claim process was redesigned to make it clearer for customers. In Turkey the website was re-launched with more functions, and the customer portal's self-service capability was enhanced; in addition, a mobile application was introduced to give customers access to their accounts at any time and wherever they are.

In Bulgaria annual pension statements can now be received by email, which brings convenience and reduces paper usage.

PRODUCTS

Insurance Europe offers both protection and investment products. It introduced several customer initiatives in 2013 in line with its strategy to improve the customer experience. In January Greece launched its new health product, Orange Cross, with plain language, illustrations and an easy-to-use manual. In December 2012, ING in the Czech Republic launched For You, breast cancer insurance cover for women which includes online access to information and help about cancer prevention. For You has been well received by customers, achieving an excellent NPS score. In 2013 Spain became the second country to offer For You.

Spain signed a collaboration agreement with Mutua Madrileña Group, and started selling its car insurance with special benefits for ING customers. Poland achieved success with its "Insure yourself and trick the cancer" campaign, which was voted the best campaign in the finance category of the Zloty Spinacz awards, a prestigious public relations award. The campaign was recognised for its corporate responsibility features, including cancer prevention and education about healthy living and the importance of regular medical examinations. Romania launched the country's first online life insurance service. Turkey introduced a long-term life product, using online and offline distribution channels. Luxembourg launched a unit-linked life insurance solution for the French market.

DISTRIBUTION

Insurance Europe is building a multi-channel distribution platform to serve customers across all channels. It continues to invest in tied agents via the Tangerine programme which pools ING's regional know-how and provides a best-practice template on how to run a tied agent sales force. Tangerine is being introduced country-by-country and is already increasing tied agent productivity. Insurance Europe is also investing in the broker channel, especially in Turkey.

In bancassurance, Insurance Europe is signing up more banking partners as well as working closer with existing partners. In November a partnership was announced with Anadolubank in Turkey, where bancassurance arrangements performed well in 2013. NN Group in Luxembourg is building partnerships in France and Italy.

Turkey launched a pilot network of retail insurance shops selling ING products and those of its competitors. In Spain, a pilot network of insurance agents (Orange Points) in the country's smaller cities was established to reach new and existing customers not covered by the company's branch network, which is located in the large cities.

CONCLUSIONS AND AMBITIONS

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

JAPAN LIFE

> Market leader in niche Corporate Owned Life Insurance (COLI) segment
> Production innovation and distribution strength result in improved market adaptability
> Strong profitability and cash generation

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

FINANCIAL DEVELOPMENTS

The operating result for Japan Life was EUR 162 million in 2013, a 17.3% decline compared with EUR 196 million in 2012, due to the 27% depreciation of the Japanese yen against the euro in 2013.

Fees and premium-based revenues were EUR 436 million in 2013, a 11.0% decrease compared with EUR 490 million in 2012, due to the depreciation of the Japanese yen against the euro. Excluding this currency effect, fees and premium based revenues increased by 10.0% driven by strong COLI sales and favourable persistency.

The technical margin decreased to EUR 2 million in 2013 compared with EUR 23 million in 2012, as the 2012 technical margin included strong mortality and morbidity results, while surrender results declined in 2013 following improved persistency in the portfolio.

Administrative expenses were EUR 106 million in 2013, a 18.5% decrease compared with EUR 130 million in 2012, due to the depreciation of the Japanese yen against the euro. Excluding currency effects, administrative expenses remained broadly stable, increasing by 1.0% compared to 2012.

DAC amortisation and trail commissions decreased to EUR 177 million in 2013 compared to EUR 197 million in 2012. Excluding currency effects, DAC amortisation and trail commissions increased by 11.7% due to higher in-force volume.

Gains/losses and impairments increased to EUR 42 million in 2013 from EUR 4 million in the prior year, mainly caused by asset rebalancing. Revaluations decreased to a loss of EUR 11 million in 2013 from a gain of EUR 10 million in the previous year.

The result before tax decreased to EUR 192 million in 2013 from EUR 209 million in 2012, due to the decrease in operating result. This was partly offset by an improvement in non-operating items. assumption.

BUSINESS DEVELOPMENTS

In Japan, NN Group primarily offers a range of COLI ("Corporate-Owned Life Insurance") products to SMEs and owners and employees of SMEs through independent agents and bancassurance. COLI products are traditional life insurance policies that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings, and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner.

In 2012, Japan Life was Japan's third largest provider of COLI products measured by Annual Premium Equivalent (APE). Japan Life believes that customer centricity is crucial to its success. Continuously improving the customer experience is one of its priorities. Key improvements in 2013 included the redesign of approximately 200 application and request forms, and the improvement of the interactive voice response process at the call centre.

In 2013, Japan Life received a three-star rating (out of a maximum of three) for its after-sales call centre from the service and support industry organisation, HDI-Japan ("Help Desk Institute"), emphasising the company's commitment to deliver superior service to its customers and distribution partners.

CONCLUSIONS AND AMBITIONS

The continued shift towards professional distribution channels, such as independent brokers and banks, is creating growth opportunities for Japan Life. Its aim is to grow faster than the market boosted by its strong presence in these channels.

INVESTMENT MANAGEMENT

> Global asset manager with EUR 174 billion in assets under management (AuM)
> Investing responsibly and effectively with 71% of funds above benchmark
> Focus on growing third party business

Investment Management operates from a strong middle and back office, enabling solid investment performance and room for further growth in assets under management. It is preparing for the base case IPO of NN Group, making its business simpler by streamlining its governance and divesting several activities in Asia.

FINANCIAL DEVELOPMENTS

The operating result for Investment Management was EUR 130 million in 2013, a 19.3% increase compared with EUR 109 million in 2012, driven by higher fees and lower administrative expenses.

Fees were EUR 444 million in 2013, a 3.3% increase compared with EUR 430 million in 2012, as outflows in lower yielding proprietary assets were offset by inflows in higher margin products. As a result, the ratio of fees to average AuM improved slightly from 24.5 basis points in 2012 to 24.8 basis points in 2013.

Administrative expenses were EUR 314 million in 2013, a 2.2% decrease compared with EUR 321 million in 2012, primarily due to non-recurring costs incurred at the end of 2012.
The result before tax increased to EUR 131 million in 2013 from EUR 105 million in 2012, as a result of the increase in operating result.

BUSINESS DEVELOPMENTS

Investment Management offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, it manages the assets of NN Group's businesses.

Investment Management offers its products and services globally through regional centres in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. As at 31 December 2013, Investment Management had EUR 174 billion of AuM, of which EUR 104 billion was managed for third party retail and institutional customers and the remaining EUR 70 billion for the general account of NN Group's businesses.

In 2013, Investment Management continued to simplify and streamline its operations, in line with the separate divestment of the Asian insurance and investment management businesses. During the year, ING completed the divestment of its 33.3% stake in China Merchant Fund, ING Funds Berhad in Malaysia, ING IM Thailand, and ING IM Korea. It also closed down its regional office in Hong Kong. The offices in Singapore and Japan are part of the Investment Management organisation and as such included in the base case IPO. In early 2014, an agreement was reached to sell the investment management business in Taiwan.

In 2013, Investment Management again scored highly compared to the industry average in its annual client satisfaction survey. It received various awards that highlighted its customer centricity. On the operational side, it completed the transformation of its infrastructure to a simpler, more advanced environment that enables even better investment performance and that further improves the customer experience.

PRODUCTS AND DISTRIBUTION

Investment Management produces and distributes its products globally. It operates from a modern middle and back office with sufficient capacity to increase its operations without infrastructure constraints. It has a global distribution network across various distribution channels. This network will help it grow its third-party business in the future.

This expansion will be also driven by successful products. More than 71% of its funds have outperformed their respective benchmarks on a three-year asset-weighted basis as at 31 December 2013. 43% of Investment Management's investment funds had a four- or five-star Morningstar rating, which was above the industry average.

INVESTING RESPONSIBLY

In managing investments, Investment Management is committed to the UN Principles for Responsible Investment. In 2013, it integrated environmental, social and governance (ESG) factors as a screening criterion into all its investment strategies. These factors can have a significant impact on long-term performance. Sustainable assets under management increased by 8.3% to EUR 3.5 billion. In line with being an active investor, Investment Management visits shareholder meetings of its investee companies. In 2013, it introduced the publication of quarterly active ownership reports on its voting and engagement activities. For more information on these and other sustainability-related subjects, please refer to the ING Group Sustainability Report.

CONCLUSIONS AND AMBITIONS

Investment Management aims to partner with its customers for the long run. It will continue to focus on delivering best-in-class performance and services for its customers. It has a strong focus on growing its third-party business. Its future name will be NN Investment Partners which signifies its ambition to be a partner to its customers rather than a general supplier of products.

OTHER

> Nationale-Nederlanden Bank offers integrated wealth management solutions and successfully introduced two savings products
> Solvency II provides ING Re with opportunities to improve NN Group's capital allocation

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

Nationale-Nederlanden Bank accelerated efforts to become a one-stop shop for integrated financial solutions for retail customers, supported by the integration with a part of WestlandUtrecht Bank ("WUB") as well as the launch of new savings products. As of 1 July 2013, the profitable operations of WUB, including assets and liabilities, were partially transferred to Nationale-Nederlanden Bank. Solvency II will provide ING Re with new business opportunities.

FINANCIAL DEVELOPMENTS

The operating result for the Other segment was a loss of EUR 371 million in 2013, compared with a loss of EUR 398 million in 2012. The improvement largely reflects lower funding costs offset by a lower result from the reinsurance business.

Holding result was a loss of EUR 345 million in 2013, an improvement of 15.6% compared with a loss of EUR 409 million in 2012, largely due to lower interest expense on hybrids and debt. Interest expense on hybrids and debt was EUR 167 million in 2013, a decrease of 23.0% compared with EUR 217 million in 2012, mainly reflecting a EUR 2 billion senior debt refinancing by ING Group in September 2013.

Operating result reinsurance business was a loss of EUR 15 million in 2013, compared with a gain of EUR 22 million in 2012. The 2013 result was negatively impacted by a EUR 31 million one-off loss on a specific reinsurance contract.

Operating result Nationale-Nederlanden Bank was a loss of EUR 11 million in 2013, compared with a loss of EUR 14 million in 2012, due to start-up and integration expenses.

Non-operating items was a gain of EUR 29 million in 2013, compared with a loss of EUR 24 million in 2012, due to improvements in gains/losses and impairments, reflecting the reallocation of the investment portfolio of ING Re in 2013, and lower losses from revaluations.
Special items amounted to a loss of EUR 79 million in 2013, compared with a loss of EUR 43 million in 2012. The loss in 2013 was primarily due to expenses related to the restructuring and integration of WestlandUtrecht Bank operations at Nationale-Nederlanden Bank. The 2012 loss included EUR 94 million in expenses related to the operational separation from ING Group and preparation costs for the base case IPO, EUR 56 million in goodwill impairments, and a EUR 26 million reorganisation provision. These negative items were largely offset by a pension provision release of EUR 133 million.

Result on divestments was a loss of EUR 50 million in 2013, primarily reflecting a EUR 62 million loss on the sale of the Mexican mortgage business.

The result before tax was a loss of EUR 471 million in 2013, compared with a loss of EUR 452 million in 2012, as improvements in the operating result and non-operating items were more than offset by higher special items and a lower result on divestments.

BUSINESS DEVELOPMENTS

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

It distributes these products through intermediaries, Nationale-Nederlanden's direct channel and ING Bank. Nationale-Nederlanden Bank aims to build a high quality mortgage book and it has a strong and well-capitalised balance sheet.

In June, Nationale-Nederlanden Bank launched two savings products: one with a floating interest rate and the other with fixed interest rate and term. It also introduced an innovative mortgage pledge service *(Hypotheektoezegging)*, where customers are given a mortgage commitment before buying a house. The commitment is conditional upon the absence of subsequent changes in the personal circumstances and the acceptance of the house as collateral for the mortgage.

In 2013, it became apparent that consumers increasingly favoured self-directed business, execution-only services via call centres and online rather than financial advice-related services.

The Bank expanded service capacity in its direct channels, set up a web-care team to communicate with customers through social media and introduced www.adviseur.nn.nl, a portal for intermediaries, so they can better service their customers.

ING RE

ING Re is NN Group's internal reinsurer located in the Netherlands. ING Re primarily offers reinsurance to NN Group's businesses. It manages its risks through ceding excess insurance risk to external reinsurers and hedging (a major part of) its market risks. ING Re also reinsures the minimum guarantee obligations of the Japan Closed Block VA. In the segment reporting, the results from this reinsurance agreement are reported by ING Re under the Japan Closed Block VA segment (whilst the rest of ING Re results are reported under the Other segment).

In 2013, ING Re reviewed its key processes and strengthened its governance in preparation for Solvency II and to increase efficiency. Solvency II provides ING Re with new opportunities to improve NN Group's capital allocation. By reinsuring risks from NN Group's business lines and pooling them centrally at ING Re, diversification benefits can be achieved, resulting in capital efficiencies for NN Group.

CONCLUSIONS AND AMBITIONS

Nationale-Nederlanden Bank aims to become a one-stop shop for integrated financial solutions for retail customers. With its portfolio of integrated solutions, a strong brand and its extensive distribution base it aims to have a competitive presence in the Dutch financial sector. ING Re will continue to support NN Group businesses by providing reinsurance services.

JAPAN CLOSED BLOCK VA

> The Closed Block primarily consists of single premium variable annuities sold from 2001 to 2009
> Focus on managing risks, cost and efficiency management

Japan Closed Block VA primarily consists of single premium variable annuities (SPVA) sold from 2001 to 2009. In 2009, ING in Japan ceased the sale of SPVA products in Japan, placed the portfolio in run-off and classified it as closed-block business.

FINANCIAL DEVELOPMENTS

The operating result of Japan Closed Block VA was EUR 80 million in 2013, a 5.9% decrease compared with EUR 85 million in 2012. Excluding currency effects, the operating result increased by 19.1%, mainly driven by higher operating income.

Fees and premium based revenues were EUR 136 million in 2013, a decrease of 8.1% compared with EUR 148 million in 2012, due to the 27% depreciation of the Japanese yen against the euro during 2013. Excluding currency effects, operating income increased by 15.0% due to the strong performance of the Japanese equity markets which boosted the account value of the closed-block annuity portfolio.

The increase in administrative expenses to EUR 18 million in 2013 from EUR 13 million in the prior year was due to preparation for business restructuring as a part of the ING Group divestment plan.

DAC amortization and trail commissions fell to EUR 38 million in 2013, compared with EUR 50 million in 2012, as DAC related to the annuity portfolio was written-down entirely on 1 October 2013, as part of the charge to restore the reserve adequacy of the business line to the 50% confidence level, due to the change in segmentation.

Non-operating items were a loss of EUR 749 million in 2013 compared with a gain of EUR 21 million in 2012. The loss in 2013 was primarily the result of the EUR 575 million charge taken to bring the reserve adequacy of the business line to the 50% confidence level as of 1 October 2013.

The result before tax was a loss of EUR 669 million in 2013, compared with a gain of EUR 105 million in 2012. This decrease was primarily due to the incurrence of the EUR 575 million charge to restore the reserve adequacy to the 50% confidence level.

BUSINESS DEVELOPMENTS

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

Over 90% of the portfolio is projected to run off by 2019, due to the short-term maturity profile of the SPVA products.

The minimum guarantee obligations of Japan Life under the closed-block portfolio are fully reinsured by ING's internal reinsurer, ING Re. ING Re manages this risk through a sophisticated hedging programme. Japan Life is responsible for managing the policies, the relationships with customers, the distribution partners and the Japanese regulatory authority.

CONCLUSIONS AND AMBITIONS

The majority of the closed-block SPVA portfolio is projected to run off relatively quickly. The focus is on prudently managing risks via hedging to release capital, as well as on cost and efficiency management.

REPORT OF THE EXECUTIVE BOARD

The Corporate governance section starting on page 62 and the paragraphs of the Remuneration report "Remuneration policy for senior management" and "2013 remuneration structure senior management" on pages 81-87 are incorporated by reference in this Report of the Executive Board.

AMSTERDAM, 17 MARCH 2014
THE EXECUTIVE BOARD