

ING-DiBa at a glance

4 million Total customers

² EUR 109 billion ² 2,986

Total employees

EUR 170 billion

Business volume

Total assets

Our products

Current accounts



- Free cash withdrawals at more than 90% of all German ATMs with your VISA Card
-) Free account management 24/7
- > Free girocard and VISA Card
- Special low-interest on overdraft facilities

Savings accounts



-) Savings: "Extra" call deposit accounts, time deposit accounts, savings bond accounts, compound interest rate accounts, capital-building accounts
- Attractive interest rates and free account management
-) Investments and monthly savings goals
-) Unlimited investment volumes

Securities



-) Free securities account management
-) Free limit functions
- Over 4,000 funds with up to 100 % rebate on front-end loads
- Flexible funds and ETF savings starting at EUR 50 per month

Mortgage loans



-) Low interest for 5, 10 or 15 years
- Optional repayment rate between 1% and 10% p.a.
-) Option to change repayment rate twice for no charge
- Penalty-free early repayment up to 5% p.a.

Loans



-) Fair credit for every financing need
-) Low interest, no hidden fees
-) Penalty-free early repayment at all times

ING-DiBa at a glance

		2011	2010	Change in %
Customers				
Total customers		7,446,295	7,146,292	4
in Germany		6,953,930	6,675,753	4
in Austria		492,365	470,539	5
Retail customer assets segment				
Savings deposits				
Number of accounts		6,409,507	6,138,407	4
Customer deposits	(€ m)	85,919	80,445	7
Securities business	(0)			<u> </u>
Number of securities accounts		874,474	833,188	5
Total securities account volume	(€ m)	16,015	17,418	-8
of which fund volume	(€ m)	5,676	6,396	
Orders executed	(6)	6,968,536	5,858,737	19
Current accounts		050.202	720.702	10
Number of accounts	(6.)	858,392	729,782	18
Customer deposits	(€ m)	1,633	1,320	24
Debit volume	(€ m)	179	160	12
Retail customer loans segment		_		
Mortgage loans				
Number of accounts		672,528	605,018	11
Customer deposits	(€ m)	56,547	51,533	10
Confirmed new business	(€ m)	8,424	7,972	6
Consumer loans				
Number of accounts		363,765	330,015	10
Customer deposits	(€ m)	3,141	2,679	17
Commercial banking segment				
Deposits	(€ m)	529		_
Loans	(€ m)	1,641		_
Earnings figures				
Net interest income	(€ m)	1,326	1,128	18
Risk provision	(€ m)	77	127	-39
Net fee and commission income	(€ m)	41	43	-4
General and administrative expenses				
incl. personnel expenses	(€ m)	581	543	7
Earnings before tax	(€ m)	660	494	34
Cost income ratio	in %	44	47	-3 points
Financial position				
Total assets	(€ m)	109,478	96,333	14
Customer deposits	(€ m)	90,860	82,223	11
Loans and advances to customers	(€ m)	74,732	62,694	19
Equity	(€ m)	5,478	4,831	13
Business volume	(€ m)	169,975	153,556	11
Relative ratios				
Tier I capital ratio	in %	17	21	-4 points
BIS ratio after floor	in %	10	11	-2 points
Personnel				
Employees		2,986	2,696	11
of which trainees		110	72	53

SUCCESSFULLY DIFFERENT

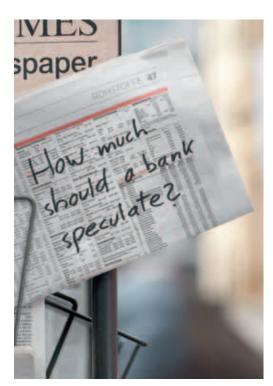
Bank customers – particularly retail customers – have been growing more and more skeptical since before the financial crisis even struck. Nowadays, customers ask considerably more questions than before. They are more confident, better informed and savier – thanks in no small part to the Internet and social media, which have revolutionized the way knowledge is shared.

This is a challenge which all banks face. Going forward, a bank's relationship with its customers will hinge on whether it deals with skeptical customers as an annoyance or whether it treats them as partners on equal footing.

ING-DiBa is successfully different when it comes to this. In contrast to most other banks, its business model is geared towards those customers who are curious enough to ask questions and who don't simply accept answers at their face value. That's because inquiring customers have a vested interest in making decisions themselves.

But what are the questions on the minds of discerning bank customers today? In the following, ING-DiBa provides answers to six core questions about the fundamental functions of a bank, and how these are relevant to customers and the bank itself.

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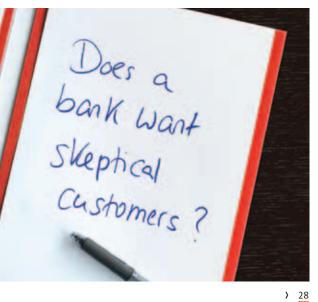
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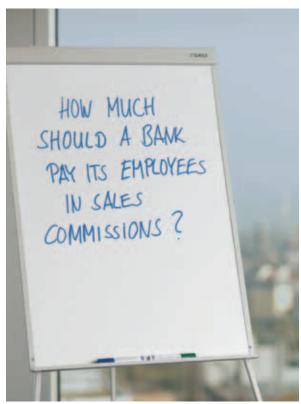
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Roland Boekhout CEO of ING-DiBa AG

Letter to the stakeholders

Dear stakeholders,

The successes of the past become the challenges of the future. For those who have performed well in the past, the bar is set that much higher in the next year. Last year, I was pleased to report on an outstanding operating performance in 2010. It was clear to us all then: this would be difficult to top in 2011. All the more so as overall economic conditions were anything but ideal in light of the European debt crisis. Given that, I am even more pleased to report that we were able to continue our growth trend through this past year.

We recorded strong development in each of our core products in fiscal year 2011. We added more than 300,000 new customers (net) and further strengthened our competitive position in an extremely turbulent environment for consumers. Once again, we were able to win over customers in Germany and Austria with our range of services and products. Our total assets passed the EUR 100 billion mark to close the reporting year just under EUR 110 billion.

Successfully different

People often ask us the secret to our consistent growth and positive image, particularly at a time when consumers are highly skeptical of the financial industry. But it's no secret: our customers appreciate our philosophy. This year − for the fifth year in a row − "€uro" readers voted us Germany's "Most Popular Bank". That's something to be proud of. The reason for this accolade is that ING-DiBa is successfully different.

What that means specifically: for example, over the past ten years, we have gone against the general market trend by reducing our product range from 20 to 10 items. Sticking to what customers really need offers a great advantage, both to consumers and to the bank.

Another key factor that sets us apart from other banks is our policy of not paying our employees sales commissions. This helps us to avoid providing the wrong incentives to sell complicated products which don't fit the needs of our customers. Rather, our customers should be able to decide for themselves which solution fits their needs best, based on clear advice and simple, transparent products. Our job is to provide consumers the information they need in order to decide for themselves. Our "finanzversteher.de" website serves that very purpose.

Being "successfully different" means putting ourselves in our customers' shoes. Customers have certain desires, needs and preferences. They want to know they're being treated fairly. They want to know that ING-DiBa will keep its promise. We gained an appreciation of this through dialog with customers, consumer protection agencies and financial journalists. We always strive to remain authentic and down-to-earth despite the success we've experienced. That's just one of the reasons why a world-class athlete such as Dirk Nowitzki – a success story who has constantly remained true to his roots – so fittingly represents the values that ING-DiBa holds.

However, being successfully different also means making changes that make sense and not being dogmatic about tried and true principles. For decades, ING-DiBa was strictly a private retail bank. Yet in 2011, ING Commercial Banking and the strong ING-DiBa retail customer brand were brought together under one roof. We did this to establish a further source of revenue, which will help to underpin the stability of our bank. All the same, ING-DiBa will still be ING-DiBa as far as its retail customer business is concerned. It will still offer attractive, transparent products tailored to its retail customers.

Sharing our successes with others is also important to us, and social responsibility has been our maxim for years now. During the past year, we launched a nation-wide initiative: "DiBaDu und Dein Verein". Clubs and organizations were given the opportunity to sign up and call on their members and sponsors to vote for them online. The 1,000 organizations with the most votes each received EUR 1,000.

We launched this initiative because we wanted to reward the millions of volunteers for their commitment, and also because we wanted to demonstrate that a bank doesn't need to have local branch offices to be close to the people. We wanted to show that a direct bank can promote worthwhile activities no matter where they take place. The response was overwhelming, with roughly 19,000 associations and organizations taking part.

Letter to the stakeholders

Continuing on with steady growth

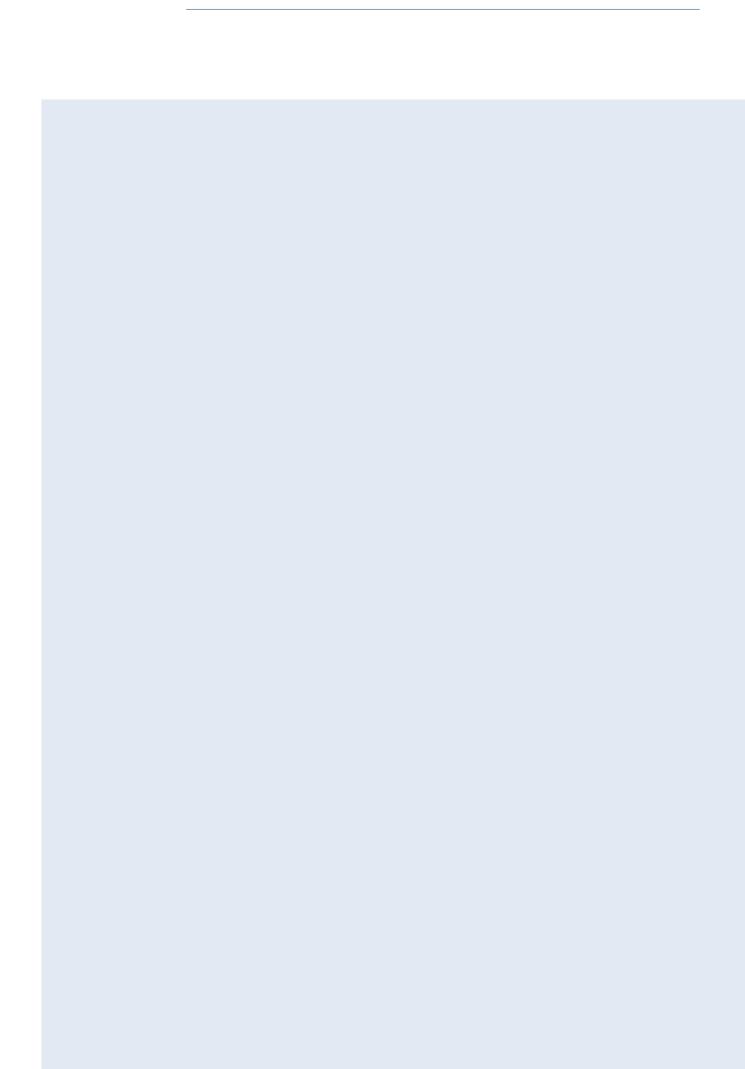
This year, the successes of 2011 – which we will discuss in detail in the following pages – will represent a challenge we look forward to tackling. However, the economic environment will remain turbulent for the financial sector. Although the various European bailouts and the Greek debt deal have defused the crisis, at least for the short term, we are still not out of the woods yet. Nonetheless, as a "successfully different" bank, we are confident that we will again be in a position to report on positive events in the coming year.

The successes of the past year would not have been possible without the commitment and the high level of motivation of our employees. I would like to take this opportunity to express my heartfelt gratitude towards them. Of course, I would also like to thank our loyal customers and business partners as well. Here's to a new and successful year!

Frankfurt am Main, June 2012

Best regards,

Roland Boekhout CEO of ING-DiBa AG



Letter to the stakeholders

Any questions about the current banking situation are addressed in this annual report.

If you have other questions, please feel free to contact me.

E-MAIL TO:

▶ roland.boekhout@ing-diba.de



Herbest Glim

Herbert Willius – Deputy Chairman Member of the Management Board since 2002

Responsible for:

-) IT & Project Management
-) Mortgage Lending
- **)** Logistics
-) Service Center

Roland Buellout

Roland Boekhout – Chairman Member of the Management Board since 2010

Responsible for:

-) Corporate Communications
-) Personnel
- Corporate Audit Services
-) Total Quality Management
-) Board Office/Legal

Bas Bronwers

Bas Brouwers

Member of the Management Board since 2008

Responsible for:

- **>** Accounting
- **)** Controlling
- > Purchasing
- **>** Treasury



Haller Jum

Katharina Herrmann

Member of the Management Board since 2011

Responsible for:

- **)** Customer Service
-) Mortgage Loan Sales
-) Product and Target Group Management
-) Marketing & Communication
-) Online Marketing

Marte lle

Martin Krebs

Member of the Management Board since 2006

Responsible for:

-) Corporate Customers
- **)** Austria
- > Securities Business (Retail Customers)

Bend Gert-

Bernd Geilen

Member of the Management Board since 2010

Responsible for:

-) Risk Management
- > Compliance & Money Laundering
- **>** Consumer Loans







NESAY: NOT ALL ATALL

In the wake of the financial crisis, many banks have been likened to gamblers playing with their customers' money at a casino. The global Occupy movement became a bullhorn for the public's anger and disdain towards these financial institutions.

Security, not risk

In his book "A Short History of Financial Euphoria", the American economist J.K. Galbraith states that "Only after the speculative collapse does the truth emerge". During the financial crisis, many customers had to learn this seemingly simple truth the hard way. The crisis was well underway before the dire consequences of speculation became clear.

Galbraith describes in his book how people's desire for quick and massive profits paves the way for catastrophic speculative bubbles. This desire will probably always be there, just as a gambler always hopes to hit the jackpot. Nobody should be begrudged such thoughts; after all, this is a question of personal responsibility for every individual.

However, banks should not gamble with their own or with their customers' money. Moreover, banks should never mislead their customers into risking their nest egg without knowing what's at stake. Rather, banks should take the long view, especially when it comes to retail banking. Customers should be able to trust that their bank is helping to strengthen their financial situations. This basic trust should be the foundation on which to build a partnership.

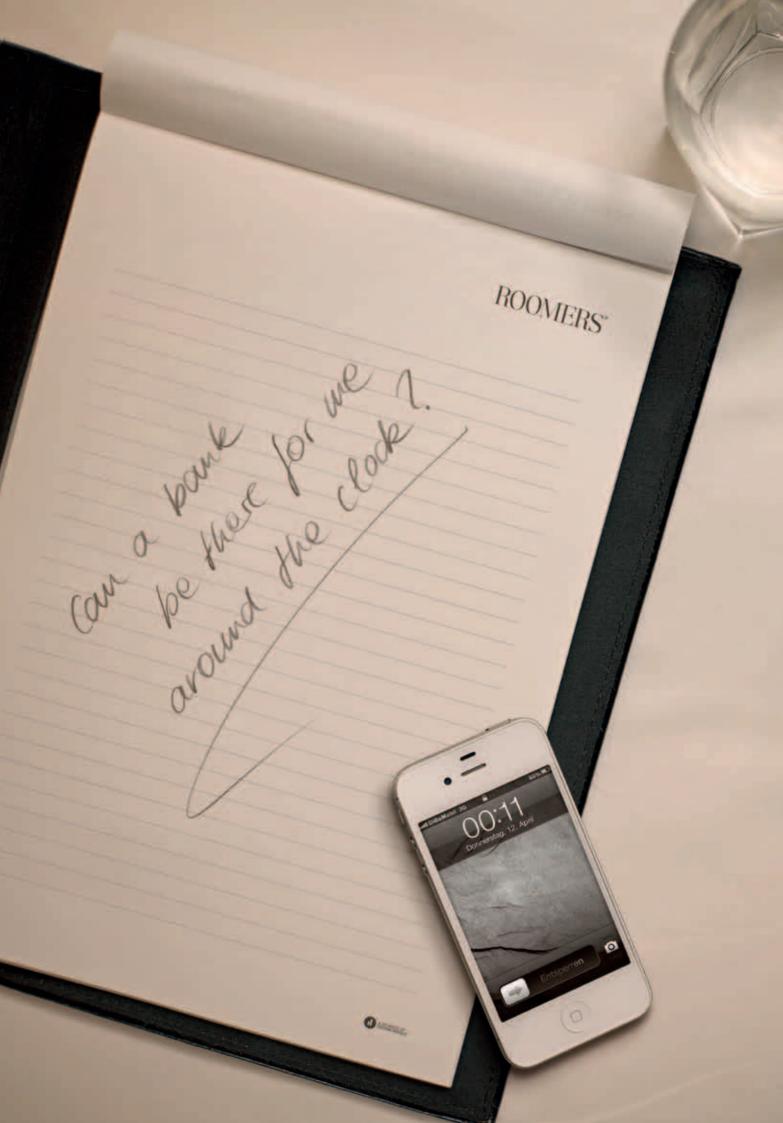
ING-DiBa sees itself as a bank which neither gambles with its customers' money nor encourages them to do so. In keeping with its risk-averse business model, it follows a distinctly conservative investment policy. The bank does not conduct investment banking activities or trade in securities for profit, but rather for hedging purposes. The money deposited by customers with ING-DiBa is used primarily to grant highly secured mortgages and consumer loans. The recent integration of the corporate customer business means that ING-DiBa can now offer loans to major German companies. In the past, this traditional banking strategy has paid off, both for the bank and for its customers.

Protection through transparency

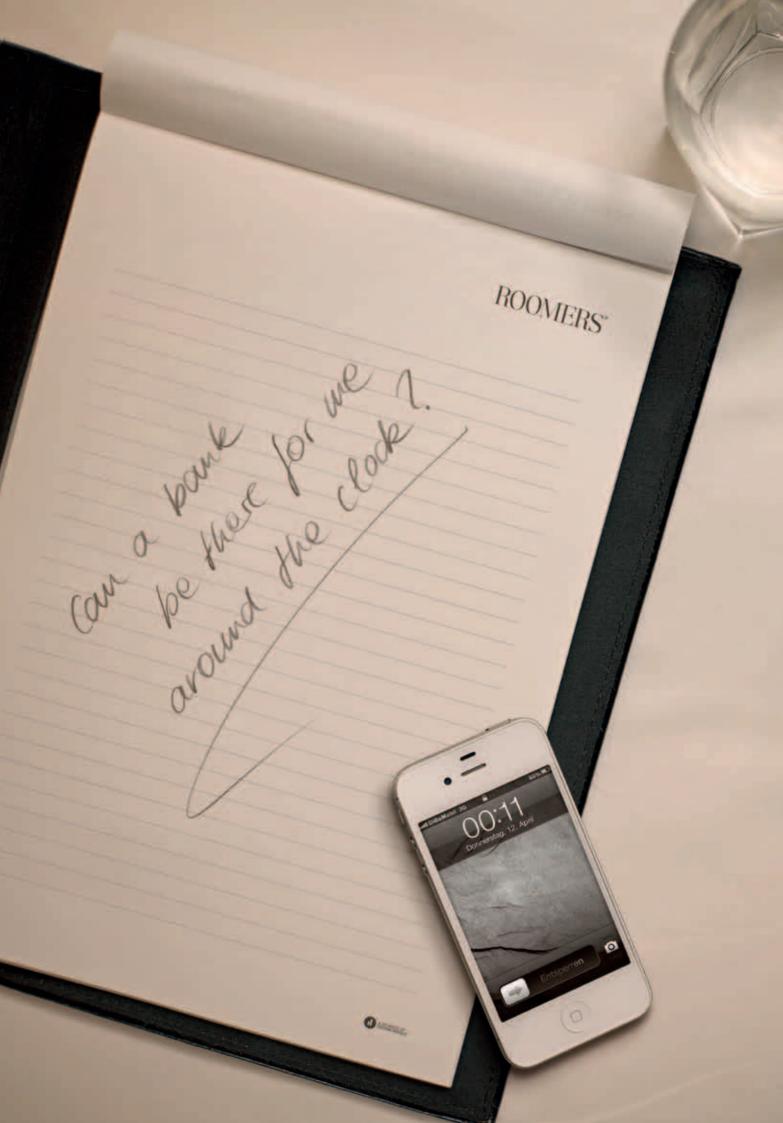
However, customers looking to take on certain risks in order to enhance their chances of making a profit will find the right products for them in ING-DiBa's securities offering. Here, too, ING-DiBa sets the bar for transparency. The product information sheet summarizes the key features of an investment opportunity and helps customers compare different products. You have to understand a financial product before you can decide on the best solution to match your individual needs and risk tolerance.



Many of Bijan Ramezani's customers are securities traders, a large number of whom speculate with enormous volumes on the stock exchange every day.







WE YES Customers can get through to ING-DiBa 24 hours a day, seven days a week. There's no such thing as opening hours at ING-DiBa. Customers can always take advantage of the services offered by their

bank and can reach us anytime.

Our service-promise: 24/7, not 9 to 5.

Some people consider being available at The customer service hotline is not all times to be a curse, while others call it a blessing. The latter of the two enjoy being free to take care of the basics at any time. Many love the convenience of being able to make a quick midnight dash to the supermarket or catch a movie at all hours of the night. They also like having the option of banking wherever they are and whenever they want. For example, using the 24 hour telephone service or the online offering.

However, non-stop availability alone is not enough to guarantee round-theclock service. It is just as important that the service provided fit the customer's needs. For example, when the right contact person is available immediately to offer the right solution for the issue at hand. Only after an inquiry has been dealt with promptly, correctly, completely and above all satisfactorily does the word "availability" mean anything at all.

Customer service, not a call center

ING-DiBa's customer service meets all of the above criteria. Customer service is the heart and soul of the Bank. For years, it has ensured that ING-DiBa is among the banks with highest documented level of customer satisfaction.

staffed by a rotating cast of call center agents, but rather by highly trained ING-DiBa employees who embody the bank's service mentality. The established time management system is a key element in ensuring a high level of service. It is designed so that callers generally never have to wait more than 20 seconds to talk with a customer service representative. Often that wait is even shorter.

Award-winning service

This is possible thanks to processes and structures geared towards providing a rapid, high-quality response to every inquiry. Independent studies and awards underscore the success of this approach: for example, ING-DiBa has repeatedly been named "Most Popular Bank" by the readers of €uro magazine. In addition, ING-DiBa was the test winner of the 2011 German Service Award for "Service by Banks" from n-tv and the German Institute for Service Quality. These awards offer a clear indication that customer service means much more to ING-DiBa than being available around the clock.

24 hour



"I think it's great that my bank is always there for me and that service doesn't stop at quitting time. After all, I'm flexible, too. Sometimes my day gets off to a very early start and ends rather late."

Diana Becker







How many social projects should a bank sponsor?

> WE SAY: AT LEAST Social commitment has always been near and dear to ING-DiBa. For years, it has sponsored a broad range of social projects in all kinds of areas. In 2011, ING-DiBa launched "DiBaDu und Dein Verein", a project to broaden its social commitment even further.

Social commitment as an element of corporate culture

For years, ING-DiBa has sponsored employees who volunteer in their free time. One successful example of this is the "We Care" program, which promotes and sponsors the charitable activities of its employees and which was extended to outside organizations in 2011 under the name "DiBaDu und Dein Verein" (DiBaDu and your organization).

"DiBaDu und Dein Verein" called on all manner of organizations – whether they be sporting, cultural, environmental or social clubs – to sign up and have their members and sponsors vote for them. Germany's Federal Minister for Families, Kristina Schröder, became the initiative's patron. The program was almost exclusively run online, with ING-DiBa merely providing the framework and the sign-up platform. The process of selecting which groups should receive EUR 1,000 was left to the participants' own energies and commitment. The 1,000 organizations with the most votes each received EUR 1,000.

In the end more than 19,000 organizations participated in the program, with the Duisburg-based "Zebrakids" taking the most votes out of a total of 17.5 million ballots cast. On Facebook alone, 55,000 people "liked" the initiative, and 97 percent of participants gave it good marks.

As part of the initiative, ING-DiBa joined forces with betterplace.org to conduct a study on German organizations and volunteerism. betterplace.org is Germany's largest donations platform. It organizes

and promotes social commitment assistance. The study, "Das hat richtig Spaß gemacht – Freiwilliges Engagement in Deutschland" (That was really fun – Volunteerism in Germany), drew an impressive conclusion: more than 23 million people volunteer in Germany.

ING-DiBa set up "DiBaDu und Dein Verein" as a way of rewarding the commitment of these many millions of people. It also wanted to demonstrate that a bank doesn't need to have local branch offices to be close to the people and show that a direct bank can promote worthwhile activities no matter where they take place.

But are a thousand projects enough?

How strong should a company's social commitment be? Can social commitment even be measured in numbers? Above and beyond "DiBaDu und Dein Verein", ING-DiBa has for years sponsored a host of other projects in a range of ways:

This includes UNICEF school projects in Africa and youth promotion through basketball. It has also promoted critical consumer journalism through the Helmut Schmidt Award for Journalism and programs for up-and-coming journalists.



"You can tell that ING-DiBa takes its social commitment seriously. Working with them feels like making a three-point shot."

Matthias Gensner Director Innovative Sozialarbeit e.V.

97% of participants gave "DiBaDu und

Dein Verein" positive marks

HOW MUCH SHOULD A BANK PAY ITS EMPLOYEES IN SALES COMMISSIONS?



HOW MUCH SHOULD A BANK PAY ITS EMPLOYEES IN SALES COMMISSIONS?

> WE SAY: NONE

As part of its policy of avoiding improper incentives, ING-DiBa does not pay commissions to employees who have direct contact with customers. ING-DiBa's success is confirmation that this is the right approach: For example, in 2011 it was voted "Most Popular Bank" for the fifth straight year in a survey of the readers of €uro magazine.

Providing the right incentives

More and more, commission-based advice is becoming a topic of heated debate. This debate was triggered by a large number of independent studies which found that the advice provided by many banks to their customers is insufficient. But what does "insufficient" mean? And what makes advice good?

The objective of solid advising should be to work with customers to find just the solution to fit their individual needs. And therein lies the central dilemma of commission-based advice. Sales-based remuneration components provide a strong incentive for bank employees providing advice. The more they sell, the higher their pay. The largest commissions are usually the most expensive products for customers. Moreover, this leaves little room for discretion on the part of the advisors, since they have to meet sales targets set by the bank.

The result is that any time the advisor's interest in a commission plays an important role, the customers' interests quickly fall by the wayside. Often, the fine line between advice and sales simply vanishes.

This is why it is ING-DiBa's policy to not provide the wrong incentives. None of the Bank's employees who have direct contact with customers receives a commission, and all receive a fixed salary. As a result, the employee is under no pressure to sell certain products to the customers they advise. Instead, they can focus completely on the customers' individual needs and requirements.

Customers who decide for themselves

ING-DiBa considers the sensible alterna- they can think of is their tive to commission-based advising to be a combination of offering simple, transparent products and providing customers with clear information and clear advice. Doing so means that the Bank puts its customers in a position to make decisions for themselves.

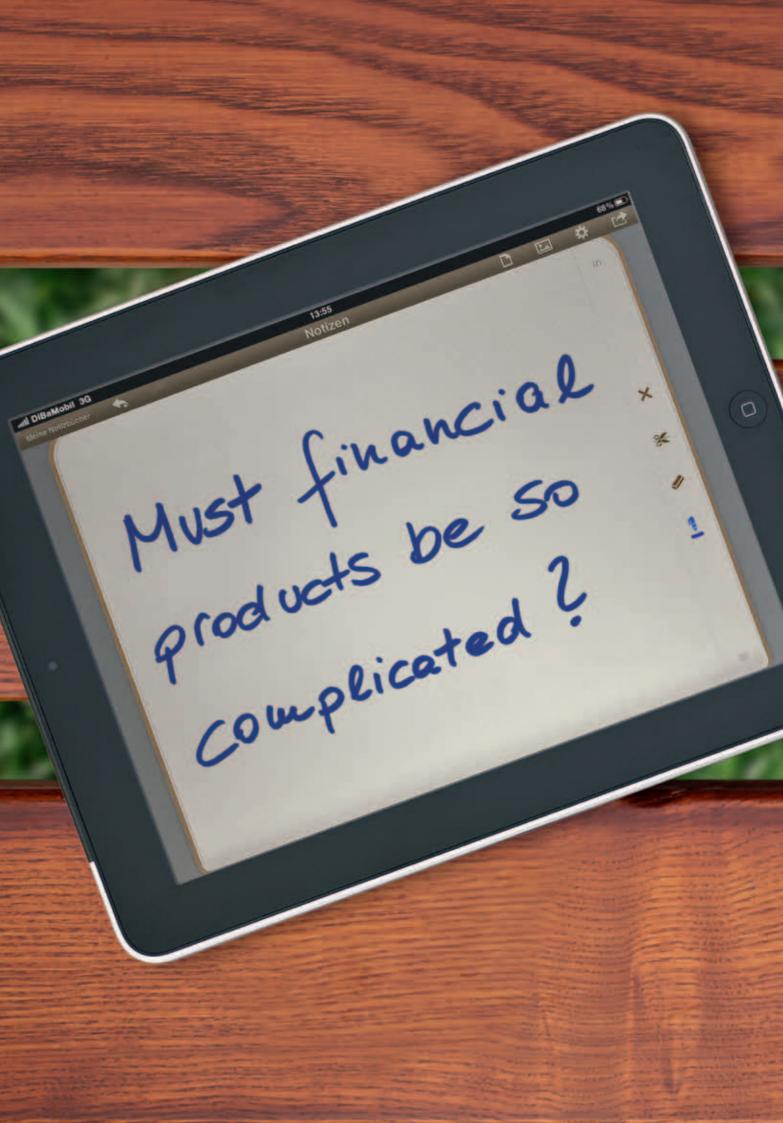
ING-DiBa has been investing in financial education for many years in order to give consumers the tools they need to make their own financial decisions. One of these tools is the finanzversteher.de website. Because every well informed, confident consumer is a potential ING-DiBa customer. They know that banking is best when it is transparent and there are no hidden fees.



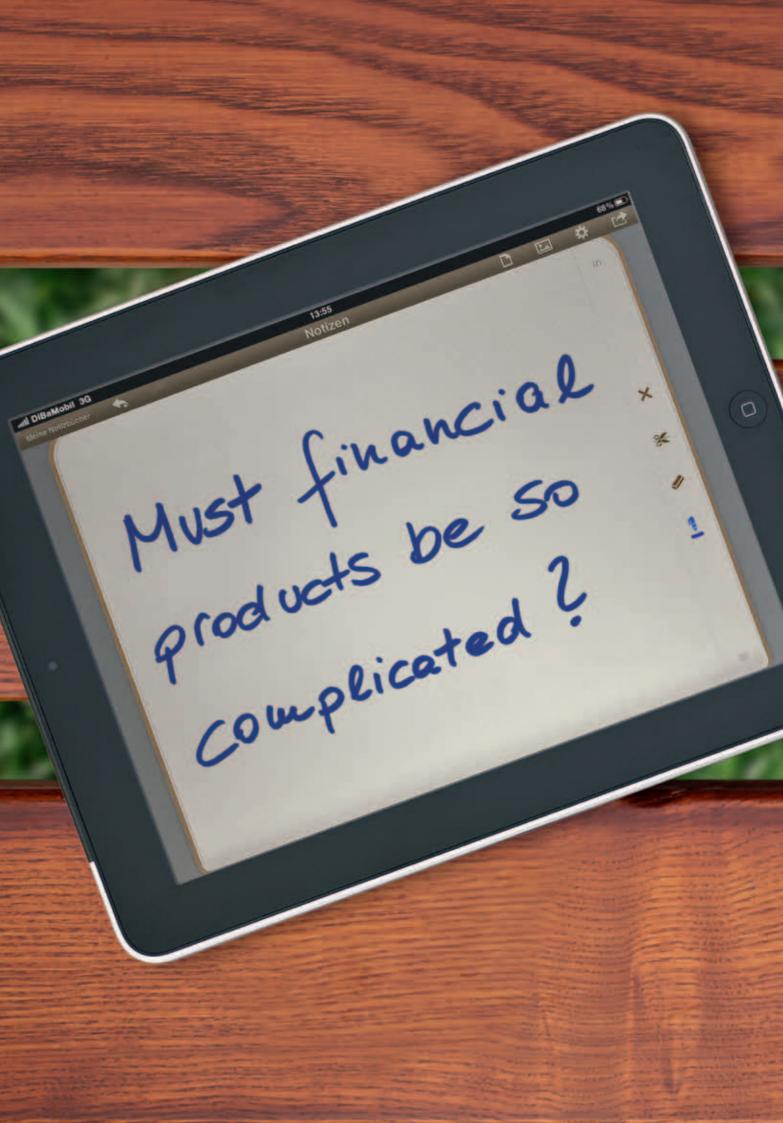
"How do you expect a bank employee to offer objective, solution-oriented advice to customers if all next commission?"

Dieter Doetsch Head of training at ING-DiBa

> 7.4 million







> WE SAY: ING-DiBa's transparent, simple business model is its hallmark, as evidenced by its product portfolio. ING-DiBa considers its success of recent years to be an affirmation of its policy of avoiding unnecessary complexity for its customers.

Transparency is the key to success

A bank's retail business centers primarily around basic financial needs, and around products and services people use in their day-to-day lives.

Just as a customer might ask their baker whether their bread contains wheat or rye, the average bank customer also wants to know what's "in" the bank's products. Any customer-friendly bank should be transparent and open as a matter of course.

Hidden fees

So why do banks make their products and services out to be so complicated, then? The answer usually lies in hidden fees, additional charges and billable add-on services that banks prefer to sneak past their customers. A lack of transparency is often used as a means of distraction. Those who obfuscate do so to draw attention away from the things they would rather not discuss.

Less is more

ING-DiBa recognized early on that reducing complexities leads to competitive advantages. That's why it deliberately keeps its product range straightforward and transparent: savings products, consumer loans, mortgages, current accounts, direct securities accounts. Over the past ten years, the Bank has bucked the trend by reducing its product range from 20 to 10 items. This range is enough to cover all the needs of its retail customers.

Another example of ING-DiBa's transparency: ING-DiBa was the first bank to react in 2009 when Germany's Minister for Consumer Protection, Ilse Aigner, called for banks to introduce a clear, concise and succinct product information sheet as part of an initiative to improve the quality of consumer finance. This information leaflet offers a brief, easily understandable description of each financial product and sends a clear signal for more transparency in the banking sector.

Dialog with consumer watchdogs

For many years the Bank has cultivated a constructive rapport with consumer protection advocates. ING-DiBa sees this as an opportunity to continually improve its customer services.

The Bank maintains a dialog not only with consumer protection advocates, but also with business, finance and consumer journalists.

This is one of the ways in which ING-DiBa promotes an adversarial and independent consumer press. Another way is the annual presentation of the Helmut Schmidt Award for Journalism in Hamburg. For 15 years now, the award has been given to shining examples of critical and investigative economic and consumer journalism.



"Who wants to buy something they don't understand?"

Sigrid Herbst ING-DiBa customer

> 10 products

are enough to meet the financial needs of retail customers.

Does a bank Want Skeptical Customers ?



Does a bank Want Skeptical Customers ?



> WE SAY: Y ES

ING-DiBa wants its customers to be skeptical. That's because only skeptical customers ask questions, educate themselves and take their finances into their own hands. In this area, too, ING-DiBa is successfully different from other banks, most of which would rather see less of their active, independent customers.

An enlightened bank customer

People with a skeptical eye are often seen in a negative light. There's a reason why skepticism is often repudiated. Unfortunately, doing so removes one from the original meaning of the term. Being skeptical actually means being able to make decisions and having sharp powers of judgment. Skeptical people are able to distinguish between what is important and what isn't, and can make out the difference between opposing interests and motives. Skepticism in this sense of the word is playing an increasingly important role. It is a virtue of modern man to not take everything at face value, to ask follow-up questions and to be able to say "no". That's exactly what ING-DiBa is looking for and has good reasons for doing so. One of them is the Bank's vision of itself as a modern service provider.

Die Bank und Du

A modern service provider can only be successful in the long run if it works with its customers to shape the future. The Bank's current campaign, "ING-DiBa. Die Bank und Du", which seeks out dialog with customers, reflects its overall philosophy of openness and communication.

A modern service provider needs this dialog with its customers in order to identify and leverage trends. It is also needed to properly size up customer needs and develop products and services in such a way that they will also stand up to future challenges. Such a dialog between the Bank and its customers can only exist if the Bank treats its customers as enlightened, confident people. As discerning partners capable of making their own decisions based on adequate information and an approachable relationship with their bank. As customers who understand ING-DiBa's business model. Customers who feel that the ING-DiBa is the right bank for them and their needs, offering a simple and straightforward range of products, efficient processes, a high level of quality and above all, trust.



"I'm a skeptical person by nature. That's because I ask when there's something I don't understand and I don't take things at face value. The same goes for the services offered by my bank."

Daniel Heinl Skeptical bank customer



3.0 Group Management Report

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3.1 General Conditions

General economic conditions

Economic development in 2011 was characterized by remarkable ambivalence – particularly in Germany. On the one hand, the economy proved to be extraordinarily robust. On the other, the European debt crisis put a considerable strain on the markets.

According to current forecasts, gross domestic product (GDP) rose by more than 3 percent while the unemployment rate was just over 5 percent at the end of the reporting period and thus approximately 50 percent lower than the euro zone as a whole. Thus, the economic momentum already recorded in the previous year in Germany continued, whereby Germany essentially assumed the role of Europe's economic engine. Economists largely agree that Germany and France kept the euro zone from stagnating with their above-average economic growth.

3.1 General Conditions

In addition, the encouraging aspects of economic development in the reporting period included the fact that domestic demand and consumer spending increased significantly. Consequently, growth was no longer carried primarily by German exports as in the previous year. Increasing income and decreasing unemployment proved to be motors for consumer spending and diversified the positive economic trend.

The rate of inflation in the euro area, which at the beginning of 2011 was still well below the upper limit of 2 percent for stability defined by the European Central Bank (ECB), accelerated in the second half of the year. At the end of the reporting period, the rate of inflation was 2.1 percent. The ECB reacted to this increase in prices in April and June 2011 by twice raising the key interest rate by 25 basis points to 1.5 percent (compared to 1 percent in the first quarter of 2011). Under its new president, Mario Draghi, the ECB lowered the key interest rate by 25 basis points to 1.25 percent at the beginning of November 2011, in order to account for slowing economic prospects. In December, the key interest rate was once again lowered to 1.0 percent.

Economic development in neighboring Austria was equally dynamic. According to a fore-cast by the Österreichische Nationalbank, the country's GDP should have grown by more than 3 percent and therefore just as robustly as in Germany. In particular strong exports and substantial investments on the part of companies contributed to this encouraging recovery, which ultimately had a positive impact on the labor market. Austria recorded an absolute record high rate of employment already at the beginning of 2011. The unemployment rate at the end of the reporting period was just over 4 percent.

This growth dynamic was overshadowed by the dramatically mounting European debt crisis. After 2010 was already characterized by impending sovereign defaults in Greece and Ireland, which led to the establishment of the European Financial Stability Facility (EFSF), Portugal also had to be bailed out in April 2011. While the Situation in Greece continued to deteriorate with an open discussion of an orderly national insolvency and possible withdrawal from the euro zone, the crisis spilled over to Italy and thus Europe's third-largest economy. The development also created anxiety in Spain.

At the beginning of August 2011, the European Central Bank purchased Italian and Spanish government bonds for the first time on the secondary market, in order to prevent a further rise in interest rates for the distressed countries. In September, the German Bundestag approved the increase in the EFSF rescue fund planned by the euro zone countries.

An agreement was reached to trim Greece's debt and expand the EFSF to one trillion euros at another European crisis summit in Brussels at the end of October. The banks also stated their willingness to waive approximately 50 percent of their receivables from Greece.

These agreements only temporarily calmed the markets. In November, yields on ten-year government bonds from indebted euro zone countries rose sharply. Around 7.5 percent had to be paid temporarily for ten-year Italian government bonds. Even bonds from stabile euro zone countries such as Finland, Austria and the Netherlands came under pressure at times.

Far-reaching savings packages were implemented in the highly indebted countries – in particular in Greece and Italy – in order to gradually reduce the government deficit. Under the effect of the European debt crisis, economists expect a slow-down in economic growth and possibly even a recession in some euro zone countries.

Industry environment

The financial services industry had stabilized in 2010. The institutions were able to win back the trust of their customers lost in the preceding financial crisis. Successful restructuring measures and sustained robust growth in Germany had a positive effect on the industry. Overall, the financial center Germany presented itself in quite stable condition again in 2011.

However, starting in the summer of 2011, concerns grew in connection with the European debt crisis about the financial distress of banks represented by subsidiaries in euro zone countries at risk of insolvency or banks that hold a large volume of these countries' bonds. The new managing director of the International Monetary Fund (IMF), Christine Lagarde, called for affected banks to be provided with new capital that should come directly from the rescue fund EFSF. The problems of the Belgian-French financial service provider Dexia sparked fears of a new banking crisis. The breakup of this bank was announced later; furthermore, a total of EUR 95 billion in risky securities are to be transferred to a bad bank.

The heads of state and government of the European Union resolved at an EU summit meeting in Brussels at the end of October 2011 to recapitalize the banks in connection with the trimming of Greek debt and the write-off requirements as a consequence of the debt crisis. Thirteen German banks of systemic importance for the European Economic Area are being requested to present capital of the highest quality – a core tier 1 capital ratio of nine percent – starting in mid-2012. Institutions that do not reach this percentage are to avail themselves first and foremost of private sources of financing. If the corresponding institutions cannot obtain these funds on the market, the relevant country of residence must come to their aid.

As previously mentioned, the trimming of Greek debt entails a significant waiver of debt on the part of banks. German banks had already prepared for such a development and had already partially written off their investments in Greek bonds. However, the debt haircut is hitting large French banks especially hard.

3.1 General Conditions

The future of German central savings banks (Landesbanken) was once again an import topic in 2011. In the summer, the owners (Sparkasse savings banks and Federal State of North Rhine-Westphalia) resolved under pressure from the EU to break up WestLB, which was once the most powerful bank under public law in Germany. A planned merger with BayernLB had previously fallen through. In mid-November 2011, the rating agency Moody's downgraded the rating of several central savings banks by two to three levels.

The preliminary final draft of the Basel III resolutions – the new regulatory framework to toughen capital requirements in the financial industry – was published in December 2010. The new rules are to be implemented step-by-step within the countries of the European Union starting in 2013. The new provisions with respect to the protection of deposits across the EU have applied since the beginning of the reporting period. Since then, the statutory limit for the compensation of losses for each customer is EUR 100,000.

Overview of business development

The overall encouraging economic development in Germany, regardless of the downturn as a result of the European debt crisis, is also reflected in ING-DiBa's operating results, which enabled us to not only defend our position as one of the largest savings banks in Germany, but to expand it once again.

In the fiscal year just ended, the Frankfurt branch office of ING Bank N.V., Amsterdam, was spun off to Conifer B.V., Amsterdam, which was merged with ING-DiBa on August 31, 2011. The acquired commercial banking business is being operated in the newly established branch office of ING-DiBa under the name ING Bank, Frankfurt (hereinafter referred to as Commercial Banking or the ING Bank branch). The income statement includes Commercial Banking's expenses and income recognized since August 31, 2011. The international merger was executed at the IFRS carrying amounts of the transferring legal entity. The merger was entered in the commercial register on August 31, 2011. The bank's organizational structure and risk management system, spearheaded by ING-DiBa's business and overall risk strategy, was revised as part of the integration. In addition to traditional corporate lending, including payment transactions, the range of services offered by the Commercial Banking branch also includes export financing and specialized lending. The goal is to establish another income pillar in addition to the retail business, with positive effects on the Bank's stability and profitability.

ING-DiBa does not maintain any local branches. In addition to the corporate center and the newly established ING Bank branch in Frankfurt, the financial institution is represented in Hanover, Nuremberg, and Vienna.

The Bank is managed based on three segments: Retail Customer Assets, Retail Customer Loans, and Commercial Banking. Retail Customer Assets includes the core products savings deposits, securities business and current accounts. Retail Customer Loans includes mortgage loans and consumer loans.

Business relationships with large companies are managed in the Commercial Banking segment merged with ING-DiBa in the reporting period. Pure corporate customer business is managed in this segment.

The institution mostly recorded significant rates of growth for all core products. We succeeded in once again expanding the number of customers at a high level in the six-digit range. As of December 31, 2011, around 7.4 million customers maintained a business relationship with ING-DiBa (2010: 7.1 million). Just under 7.0 million of these customers can be attributed to Germany (previous year: 6.7 million) and 492 thousand to Austria (previous year: 471 thousand).

Business volume as of December 31, 2011, comprising the total assets of Retail Customer Assets plus the securities account volume of the investment services business, Retail Customer Loans, and Commercial Banking, increased by around 11 percent year-on-year. It increased as of December 31, 2011 to EUR 170.0 billion compared to EUR 153.6 billion in the previous year. Detailed information can be found in the notes regarding the development of the Retail Customer Assets, Retail Customer Loans, and Commercial Banking segments.

Net interest income in the 2011 fiscal year was EUR 1,326 million (previous year: EUR 1,128 million) and net commission income was EUR 41 million (previous year: EUR 43 million). The record income from ordinary operating activities of EUR 494 million generated in the 2010 fiscal year was once again expanded in 2011 with a double-digit rate of growth. ING-DiBa earned a new record pretax income of EUR 660 million in fiscal year 2011.

ING-DiBa's total assets increased from EUR 96.3 billion in 2010 to EUR 109.5 billion in 2011. Equity amounted to EUR 5.5 billion compared with EUR 4.8 billion in the previous year.

In light of these figures, fiscal year 2011 can once again be regarded as very positive from the Bank's perspective. At a time in which many financial institutions have to fight for their customers' trust or win it back, several hundred thousand customers have once again opted for a business relationship with ING-DiBa. In particular the long-term product and service philosophy have stood the test of time against the background of the euro and debt crises. The customers place increasing value on transparent products and processes that they can understand, as well as on high quality at fair prices.

3.1 General Conditions

ING-DiBa consistently applied its strategy of offering an alternative to commission and fee-based consulting with its business model in the reporting period. The Bank has supported the do-it-yourself consulting of customers in many ways for years. An important milestone in this context was the introduction of the completely product-neutral financial portal "finanzversteher.de" in September 2010. At this website, users can find brief, understandable information on important issues surrounding the topics of investment and retirement savings. In addition, the website provides checklists and a variety of selection and analysis pro-grams to assist in the decision-making process. ING-DiBa operates this portal because it believes that no financial institution benefits more from Germans' growing understanding of financial matters than a bank with simple products. In January 2011, "finanzversteher.de" was enhanced by the function "Preisradar" (price radar) for automated teller machines. Since then, bank customers have been able to enter information online regarding the fees charged by third-party banks for cash withdrawals all over Germany using this function. This price radar creates transparency and has already been heavily used in the months after its introduction.

Another example of fairness practiced by the Bank in dealing with its customers is the "ING-DiBa Promise" issued in the reporting period. The Bank assures every customer he or she will be exempt from liability if third parties abuse his or her access data for Internet banking. The requirement is that the customer notifies the Bank immediately.

The Bank received numerous awards again in 2011. For instance, ING-DiBa won the "Online broker of the year" competition organized by "Börse Online" magazine for the seventh time and was once again chosen as Germany's "favorite bank" by the magazine "Euro". In November 2011, the Bank received the "Diversity Prize" for its "Azubis 50+" program offering individuals over 50 prospects for a new career.

ING-DiBa's business strategy has proven itself in previous years under all kinds of market conditions. It is based essentially on three pillars:

- ▶ ING-DiBa is a bank without local branch offices. Customers are offered a 24-hour service via telephone or the Internet. This business model ensures overall lower costs. ING-DiBa passes this advantage which also contributes to the Bank's lean processes on to its customers in the form of attractive terms and conditions, thus securing its long-term success.
- ING-DiBa offers quality at fair prices. The Bank pays close attention to the high quality of its products and services; however, it cannot and does not desire to be inexpensive at all costs. Its goal is to offer the best possible quality at the lowest possible price and customer-friendly conditions.

▶ ING-DiBa is simple – in the best sense of the word. Customers should understand their chosen product. The Bank intentionally offers a lean product portfolio. The Bank's offering should be transparent and manageable for customers and put them in the position of making their own financial decisions.

The new advertising concept started at the beginning of September 2010, whose focal point is ING-DiBa customers' positive feeling of having chosen the "right bank", received excellent feedback in the reporting period.

ING-DiBa looks back overall on a successful 2011 fiscal year. Growth was recorded for all of the Bank's core products – and we succeeded in outperforming 2010's record profits. This was achieved with 2,986 employees, including 110 trainees (previous year: 72). Thus, the workforce grew compared to 2010 (previous year: 2,696). This can be attributed, among other things, to the integration of Commercial Banking. General and administrative expenses including write-downs amounted to a total of EUR 581 million (previous year: EUR 543 million).

ING-DiBa's Supervisory Board appointed Herbert Willius, a member of the Bank's Management Board for many years, as Deputy Chairman of the Management Board in September 2011. Herbert Willius has worked for the Bank since 1989.

3.2 Development of the Segments Retail Customer Assets, Retail Customer Loans, and Commercial Banking

Retail Customer Assets

General

The Retail Customer Assets segment comprises all of ING-DiBa's products that it offers its retail customers for investing money at ING-DiBa. These include the core products savings deposits, securities business, and current accounts.

Savings deposits

In a phase of persistently low interest rates, savings deposits do not currently offer high returns. However, customers appreciate this stable and predictable form of investment. In the area of savings deposits, the number of accounts increased to 6.4 million (previous year: 6.1 million). The portfolio volume increased from EUR 80.4 billion as of December 31, 2010, to EUR 85.9 billion as of December 31, 2011.

Development of the Segments Retail Customer Assets, Retail Customer Loans, and Commercial Banking

Promptly after the ECB raised the key interest rate, ING-DiBa raised the interest rate on the call deposit account "Extra". The interest rate for deposits in this product was raised to 1.5 percent as of May 16, 2011, and to 1.75 percent as of July 15 from the first euro with no limit on deposit volume. Customers received 2.5 percent interest p.a. for the first six months on their first Extra account starting on August 1, 2011.

In addition to the Extra account, ING-DiBa offers fixed-term deposit accounts with terms of 3, 6, and 12 months. The Bank pays interest rates between 1.75 percent p.a. (from EUR 10,000, 3 month term) and 2.1 percent p.a. (from EUR 50,000, 12 month term) for deposits to these accounts.

In addition to this, the Bank offers interest growth accounts with built-in tiered interest rates, savings bonds and savings schemes within the scope of capital contribution benefits.

Securities business

The financial markets were characterized by a high degree of volatility in the reporting period. Robust economic development in Germany and some neighboring countries, the successful export market, and rising consumer spending made for a good mood on the stock exchanges, but the European debt crisis always led to setbacks. The stock exchanges were extremely sensitive to headlines. For instance, there were occasionally sharply contrasting price developments within a single trading day.

The German share index DAX started 2011 at around 7,000 points. The EuroStoxx 50 and leading indices on the US-based exchanges also showed an upbeat trend at first. But then the worsening debt crisis and rumors that France could lose its AAA credit rating resulted in sharp declines. In August 2011, the DAX at times lost up to six percent compared to the previous day. On September 12, the German leading index closed at 5,072 points.

Compared to the beginning of May 2011, when the DAX was quoted at 7,500 points, this signifies a decrease of just under 33 percent. In the third and fourth quarters, the index recovered once again with pronounced up-and-down fluctuations and ended 2011 at 5,898 points.

Despite this less-than-ideal environment, ING-DiBa was able to increase the number of securities accounts maintained at the Bank as of December 31, 2011 to around 874 thousand (previous year: 833 thousand). Securities account volume fell slightly to EUR 16.0 billion due to decreasing market indices (previous year: EUR 17.4 billion). The fund volume included in these accounts amounted to approximately EUR 5.7 billion as of December 31, 2011 (previous year: EUR 6.4 billion).

In total, ING-DiBa processed 7.0 million orders for its customers in fiscal year 2011, which represents a significant increase compared to the previous year (5.9 million) and marks a record amount for ING-DiBa.

Current accounts

Once again, the product "current account" developed very well. The number of current accounts maintained by ING-DiBa rose to 858 thousand as of December 31, 2011, compared to 730 thousand in the previous year. Deposit volume in non-interest-bearing current accounts reached EUR 1.6 billion as of December 31 of the reporting period, compared to EUR 1.3 billion at the end of the previous year, with the debit volume in current accounts increasing from EUR 160 million to EUR 179 million. Customers appreciate in particular the fact that these current accounts are maintained without any fees, as well as the opportunity to withdraw cash free of charge anywhere in the euro area with a VISA card.

Retail Customer Loans

General

The Retail Customer Loans segment comprises all of the Bank's products which its customers can use to obtain access to a loan from ING-DiBa. This includes two core products: long-term mortgage loans and typically short-term consumer loans. The retail lending business once again developed very positively in 2011. Existing business trended well in the fiscal year just ended, reflected in decreasing default rates. New business turned in another convincing performance with high quality, in particular with respect to the products mortgage loans and installment loans.

Mortgage loans

After the German real estate industry enjoyed record sales in the previous year, condominiums and houses occupied by the owner or purchased as investment properties were also in high demand in fiscal year 2011. According to the German real estate industry association IVD, real estate agents reported sales increases in the lower double-digit percentage range. The reasons are obvious: On the one hand, there has never been a better time to finance real estate due to the low interest rates; on the other hand, investors were hunting for low-risk real assets. Market demand for mortgage loans rose accordingly.

With new business committed in the amount of EUR 8.4 billion, ING-DiBa was able to further expand its position as one of the largest German mortgage financiers in fiscal year 2011.

Development of the Segments Retail Customer Assets, Retail Customer Loans, and Commercial Banking

In addition to traditional financing of owner-occupied residential properties with terms between five and 15 years and repayment rates between 1 and 10 percent p.a., the Bank offers follow-up financing at terms and conditions as favorable as they are flexible. At the customer's request, both initial and follow-up financing can be combined with the respective programs offered by the KfW development bank. Possibilities for initial financing include the KfW's programs for "residential property" and "residential modernization" as well as parts of the program for "energy-efficient construction". Follow-up financing can be combined with the residential modernization program.

Forward loans, with which customers are able to secure the currently low interest rates for follow-up financing in the future, also contributed once again in the reporting period to the favorable performance of the core mortgage loan product. ING-DiBa offers loans such as this with a lead time of up to three years.

As of December 31, 2011, the Bank maintained 673 thousand mortgage loan accounts (previous year: 605 thousand) with a portfolio volume of EUR 56.5 billion (previous year: EUR 51.5 billion). Thus, ING-DiBa succeeded once again in increasing all mortgage loan figures.

Consumer loans

Despite the European debt crisis, Germans' propensity to consume remained high in the reporting period. In light of the continued positive economic conditions in Germany – for example, low unemployment and higher real incomes – income expectations and the propensity to buy are very stable and could even further increase according to a consumer climate survey published at the end of October 2011 by the market research company GfK. Germans had little fear of losing their jobs and even hoped for higher wages due to the positive job market situation, which is expected to remain positive in 2012. Consumer spending in Austria developed in a similarly positive fashion.

The increasing willingness to invest privately resulted in significant growth in the area of consumer loans. In addition to traditional installment loans, ING-DiBa's product portfolio also includes a flexible line of credit as a cost-effective alternative to an overdraft facility.

Automobile loans were not only offered in the reporting period at the lowest consumer loan interest rates in 20 years, they also featured new terms and conditions: For instance, it is possible to enter into the loan agreement without any fees up to three months ahead of the desired payout date.

Homeowners' loans apply to owners of real estate. These loans can be used for more than just purchasing new furniture or implementing modernization projects in the home. They are also appropriate for measures targeted at increasing energy efficiency in the areas of heating and solar energy.

The number of consumer loan accounts rose from around 330 thousand in the previous year to 364 thousand as of December 31, 2011. The portfolio volume amounted to EUR 3.1 billion as of December 31 of the reporting period (previous year: EUR 2.7 billion). As a matter of principle, ING-DiBa does not offer consumer loans with price structures based on credit ratings and forgoes receivables that place customers at a disadvantage – for example, the conclusion of residual debt insurance policies.

Commercial Banking

General

The Commercial Banking segment comprises the corporate customer business. Corporate customers include large, internationally operating industrial and trading companies as well as other international customers of the ING Group with branch offices in Germany.

Our customers profit from the ING Group's international network, in particular in Central and Eastern Europe.

Corporate customer business

In addition to traditional loans, Commercial Banking also offers its customers short and long-term export financing, among other products. In the area of financial markets, Commercial Banking also offers products to hedge currency and interest rate risk as well as solutions for payment transactions, documentary merchandise transactions, and cash management.

As part of its Commercial Banking activities, ING-DiBa successfully advised and supported a number of reputable German clients in 2011. The quality of the Commercial Banking loan portfolio developed positively within the framework of the general economic environment and as a result of selectively entering into new loan agreements.

Loans and advances to customers of Commercial Banking amounted to around EUR 1.6 billion as of December 31, 2011.

Amounts due to customers amounted to around EUR 0.5 billion as of December 31, 2011.

Group Results of Operations

3.3 Group Results of Operations

Income Statement	2011	2010	Change
income statement	€ m	€m	€m
Net interest income	1,326	1,128	198
Net commission income	41	43	- 2
Other net income	- 49	- 7	- 42
Risk provision	- 77	- 127	50
Personnel expenses	- 203	- 186	- 17
Administrative expenses	- 378	- 357	- 21
Profit before tax	660	494	166
Taxes	- 211	- 149	- 62
Profit after tax	449	345	104

Despite the difficult banking environment, the Bank once again successfully improved its results of operations as compared to the previous year. Profit before tax increased by 34 percent from EUR 494 million in 2010 to EUR 660 million in 2011.

	2011	2010
	€m	€m
Interest income		
Interest income from lending transactions	2,978	2,574
Total interest income from lending transactions	2,978	2,574
Interest income from available-for-sale securities	425	381
Interest income from held-to-maturity securities	256	346
Interest income from other derivatives	100	175
Other interest income	- 643	- 750
Total interest income	3,116	2,726
Interest expenses		
Interest expenses on deposits from banks	- 204	- 156
Interest expenses on amounts due to customers	- 1,459	- 1,228
Interest expenses on securitized liabilities	- 7	0
Interest expenses on other derivatives	- 114	- 213
Other interest expenses	- 6	- 2
Total interest expenses	- 1,790	- 1,598
Net interest income	1,326	1,128

Although interest rates remained low during the reporting year, the Bank's net interest income again developed positively. At EUR 1,326 million, net interest income was 18 percent higher than the prior-year amount of EUR 1,128 million. At the same time, interest income on lending grew through continuing strong new business. The sustained positive development in deposit volume and the improved conditions for customers resulted in increased interest expense from amounts due to customers. Other interest income which also includes the net interest expenses from hedge derivatives declined from EUR –750 million to EUR –643 million. Overall, interest income rose by EUR 390 million to EUR 3,116 million. Interest expense rose from EUR 1,598 million to EUR 1,790 million.

The decrease of EUR 2 million in net commission income can be mainly attributed to lower income related to the introduction of a flat cash withdrawal fee.

Other net income of EUR –49 million (previous year: EUR –7 million) comprises the measurement gains/losses from derivatives and hedged items in the amount of EUR –29 million (previous year: EUR 21 million) and the loss on financial investments and investment property in the amount of EUR 157 million (previous year: EUR –34 million) and other income in the amount of EUR 137 million (previous year: EUR 6 million). The EUR 157 million loss on financial investments and investment property was due in particular to EUR 136 million in impairments on Greek government bonds, which were written down to fair value as of December 31, 2011. Early terminations of long-term loan agreements with ING-Bank N.V. resulted in non-recurring other income in the amount of EUR 167.5 million.

Administrative expenses increased by 5.8 percent to EUR 378 million. The increase in administrative expenses is essentially related to the integration of Commercial Banking and the Pfandbrief issue. Marketing expenses increased by EUR 3 million in comparison with the previous year. Despite this, the Bank continues to focus on processes to optimize cost structures while maintaining or improving quality.

Personnel expenses increased by EUR 17 million to EUR 203 million as a result of the acquisition of Commercial Banking and the additional recruitments.

In comparison to the previous year, expenses for risk provisions decreased by EUR 50 million to EUR 77 million. At year's end, the Bank's valuation allowances totaled EUR 493 million (previous year: EUR 473 million).

Income tax expenses of EUR 211 million comprise the current tax expense of EUR 240 million and positive deferred tax income of EUR 29 million. In accordance with the principle of substance over form, and despite the existence of a consolidated tax group, both the current and deferred income taxes are disclosed in the IFRS financial statements by the entity responsible, ING-DiBa AG.

Assets, Liabilities and Financial Position

3.4 Assets, Liabilities and Financial Position

	12/31/2011	12/31/2010	Change	Change
Balance sheet	€ bn	€bn	€ bn	in %
Assets				
Loans and advances to banks	5.8	8.7	- 2.9	- 33.3
Loans and advances to customers	74.7	62.7	12.0	19.1
Adjustment to portfolio fair value hedges	2.4	1.6	0.8	50.0
Financial investments	22.2	20.3	1.9	9.4
Positive fair value of derivatives	0.3	0.4	- 0.1	- 25.0
Other assets	4.1	2.6	1.5	57.7
Total assets	109.5	96.3	13.2	13.7
Liabilities				
Securitized liabilities	0.5	0.0	0.5	100.0
Deposits from banks	7.9	5.7	2.2	38.6
Due to customers	90.9	82.2	8.7	10.6
Negative fair value of derivatives	3.0	2.1	0.9	42.9
Equity	5.5	4.8	0.7	14.6
Other liabilities	1.7	1.5	0.2	13.3
Total liabilities and equity	109.5	96.3	13.2	13.7

ING-DiBa's total assets grew by 13.7 percent during the course of 2011 to EUR 109.5 billion. There was always sufficient liquidity during the fiscal year. Please also see our explanations in regards to this in the risk report.

Overall, our assets and liabilities and financial position are very satisfactory.

Loans and advances to banks decreased by EUR 2.9 billion to EUR 5.8 billion as a result of the decrease in interbank transactions.

With respect to liabilities, deposits from banks increased by 38.6 percent to EUR 7.9 billion. Essentially, this is attributable to an increase in refinancing liabilities from KfW development loans.

The loans and advances to customers totaling EUR 74.7 billion comprise 68.3 percent of total assets. The increase in loans and advances to customers of EUR 12 billion since 2010 is primarily attributable to the investment in Dutch residential mortgage backed securities and growth in mortgage lending.

Financial investments increased in 2011 by EUR 1.9 billion to EUR 22.2 billion. The portfolio of financial investments classified as AfS increased from EUR 13.2 billion to EUR 16.6 billion. The portfolio of financial investments classified as HtM declined from EUR 7.1 billion to EUR 5.6 billion. Please also see details on the risk profile of the loan portfolio in the risk report.

The positive fair value of derivatives of EUR 0.3 billion and the negative fair value of derivatives of EUR 3.0 billion are related to the Bank's hedging transactions. Some of the derivatives are part of the Bank's hedge accounting.

ING-DiBa's entire volume of deposits increased from EUR 82.2 billion at the end of 2010 to EUR 90.9 billion at the end of the year under review.

Growth was thus 10.6 percent and is primarily attributable to an increase in customer time deposits and the discount campaigns conducted in 2011 for call deposit accounts in Germany and Austria. As of December 31, 2011 customers maintained approximately 6.4 million savings accounts and current accounts at ING-DiBa.

Equity increased by EUR 0.7 billion to EUR 5.5 billion.

All of ING-DiBa's share capital was held by ING Deutschland GmbH, Frankfurt am Main, on December 31, 2011.

During the fiscal year, contingent liabilities increased from EUR 4.3 billion to EUR 9.9 billion. The integration of the German branch of ING Bank N.V. gave rise to the addition of contingent liabilities from the corporate customer business during the reporting year.

ING-DiBa participates in the deposit protection fund of the Bundesverband deutscher Banken e.V., Berlin, (Association of German Banks). In addition, based on the German Deposit Protection and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz, "EAEG") it belongs to the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken GmbH, "EdB"), Berlin. It is also a member of the following banking and other associations: Bankenverband Hessen e.V., Frankfurt am Main, Bayerischer Bankenverband e.V., Munich, Gesamtverband Niedersächsischer Kreditinstitute e.V., Hanover, Verband der Auslandsbanken Deutschland e.V., Frankfurt, Verband deutscher Pfandbriefbanken e.V., Berlin, and Bankenfachverband, Berlin.

Events after the Reporting Date

3.5 Events after the Reporting Date

Significant events after the close of the fiscal year

In March 2012, the ING Group approved the exchange of Greek government bonds. In exchange for the Greek government bonds, ING-DiBa received bonds issued by the European Financial Stability Facility (EFSF) and new Greek government bonds, in addition to a derivative financial instrument linked to the development of Greece's gross domestic product. The new government bonds have a step-up coupon.

As part of this successfully implemented exchange, EUR 41.8 million was recognized after the end of the reporting period. As a result, there was no significant change in the carrying amounts of Greek government bonds as compared to December 31, 2011.

There were no further significant events after the close of the fiscal year.

3.6 Risk Report

Principles of risk management

Risk categories

ING-DiBa is exposed to risks within the scope of its business activities; the following risks were classified as significant risk categories as part of the annual risk inventory based on the Bank's business model:

Market price risks represent the risk of potential losses due to adverse changes in market prices (e.g. bonds) or parameters influencing market price (such as interest rates, spreads, or volatilities).

Liquidity risk is defined as the risk of not being able to meet current or future payment obligations in full or on time (liquidity risk in the narrow sense). In addition, this risk category subsumes potential losses as a result of the increase in the cost of refinancing funds on the money and capital markets (refinancing risk) as well as the risk of a shortfall in proceeds from the sale of assets due to market conditions (market liquidity risk).

Traditional credit risk is a component of counterparty default risk and represents the risk of a loss due to the default or deterioration in creditworthiness of an external counterparty.

Operational risk signifies the risk of losses incurred as a result of the inappropriateness or failure of internal processes, individuals, or systems (e.g. failure of data processing systems, misappropriation of funds, human error, erroneous processes, structural weaknesses, insufficient monitoring) or as a result of external events (criminal acts, natural disasters, etc.). This definition also includes legal risks resulting from contractual agreements or the legal environment.

ING-DiBa is also exposed to reputational risks and model risks in connection with its business activities. Reputational risk describes the risk of losses resulting from the loss of trust on the part of customers or business partners. Model risk is a theoretical risk that could occur if actual developments differ substantially from modeled values.

Organization

The entire Management Board is responsible for the organization of risk management at ING-DiBa, including its branch offices, associated companies and participating interests. It is responsible for determining the risk profile and establishing the risk strategy and risk-bearing capacity concept. The Management Board regularly informs the Supervisory Board of developments in ING-DiBa's business and risk situation.

The principles of risk strategy are implemented within the framework of a comprehensive risk management system. In addition to specific individual risk strategies for every significant type of risk, this also includes concepts for the management of the overall risk profile as well as a written directive specifying the operational implementation of the strategic orientation. The risk management system is set up dynamically and is adjusted continuously based on the development of the business and changing operating environment.



As part of the annual risk inventory, the Bank ensures that all significant risks for the ING-DiBa Group are identified. The entire Management Board of ING-DiBa installed an organizational structure for risk management based on this risk profile which ensures the functional and hierarchical separation of the risk-bearing organizational units.

The management of ING-DiBa's market price and liquidity risks – previously handled by Controlling – has now been taken over by the newly established Market & Liquidity Risk Management department. The Risk Management department is responsible for the Group-wide management of ING-DiBa's counterparty default and operational risks. This department is divided into the Retail Credit Risk Management, Institutional Credit Risk Management, Risk Analytics, Regulatory Risk Management, Information Risk Management, Operational Risk Management, and Collection desks. The Credit Risk Management desk of the ING Bank branch is responsible for the operational management of credit risks resulting from Commercial Banking activities. The tasks from the compliance and anti-money laundering areas have been bundled in a separate department. All units named report directly to the Chief Risk Officer.

Risk committees

The Management Board established the following risk committees as part of its overall responsibility for the risk management of the Bank:

- The Asset and Liability Committee (ALCO) is responsible for managing the market price and liquidity risks of ING-DiBa's overall portfolio as well as the risk structure of the Bank's institutional investments. Special tasks include establishing specifications and guidelines for the management of overall risk in connection with the strategic orientation of the banking book, in particular, limit allocation for market and liquidity risks and discussing the Bank's earnings and risk situation. The committee is made up of the entire Management Board as well as the heads of the Market & Liquidity Risk Management, Risk Management, Controlling, Treasury, and Audit Services departments as well as the head of the Accounting department.
- The Credit Risk Committee (CRC) deals with the identification, measurement, management, and monitoring of counterparty default risks and/or credit risks. Its special duties include the establishment of specifications and guidelines for the lending business, the limit allocation for credit risks, the definition of the limit system, the decision regarding the structure of the risk classification process and the establishment of standard risk costs. In addition to the entire Management Board, the heads of the back offices (the head of Real Estate Financing and the heads of the Service Center, Consumer Loans, Risk Management, and Credit Risk Management departments of the ING Bank

branch) as well as the heads of the front offices of ING Bank branch (Clients and Products) and head of Audit Services are in the CRC.

The task of the Operational Risk Committee (ORC) is to identify, measure and monitor ING-DiBa's operational risks, and to ensure that appropriate measures are taken to manage operational risks at the management level by the respective responsible line managers. The committee comprises the entire Management Board and the heads of IT & Project Management and Customer Service as well as the Risk Management, Legal, Consumer Loans, Partner Sales, and Audit Services departments and the Operational Risk Management desk. In addition, the Bank's Compliance Risk Officer and the Information Security Officer are also part of the ORC. In addition to the ORC, the Management Board established various working groups (including Fraud and Online Security) that deal with operational risks and remain in regular close contact with the ORC participants.

Risk strategy

The overall risk strategy is in line with the Bank's business strategy and represents a framework for risk management at ING-DiBa. The Bank's principles of risk strategy and the resulting orientation for the risk policy, which is consistent with the business strategy are formulated in the overall risk strategy.

Specific individual risk strategies are derived for each significant risk category based on the overall risk strategy, which complete ING-DiBa's risk management system together with various concepts for the management of the Bank's overall risk profile (including risk inventory, risk-bearing capacity concept, and stress-testing concept) and the written directive. In conjunction with the risk-bearing capacity, the overall risk strategy reflects the Bank's risk appetite.

The deliberate and controlled taking on of risks within a prescribed range with appropriate compensation for the risk is a core basis for a bank's realization of profits. The goal of all of ING-DiBa's risk management activities is to ensure the Bank's continued existence, including under adverse conditions. In this context, risk is defined as the possibility of a negative deviation from an expected financial result. Risk management comprises all activities concerning the identification, analysis, measurement and communication of risks, as well as the decision to take on (or not take on) and control of risks.

The Bank's risk strategic orientation is derived from the idea of fairness and ING-DiBa's express orientation on quality, which includes a sound and trustworthy way of doing business. Consequently, risks may only be incurred with respect to all business activities to the extent necessary to reach the Bank's strategic goals. An unnecessarily risky and complex business and risk policy is strictly rejected.

Risk-bearing capacity concept

ING-DiBa has implemented a Risk-Bearing Capacity Concept for regularly assessing the risk situation at the overall bank level. The risk-bearing capacity reveals the extent to which the defined risk-taking capital can carry the risk exposure.

The objective of this concept is that a sufficient amount of risk-taking potential is held at all times. The Risk-Bearing Capacity Concept is embedded in the Bank's stress-test concept and represents an important part of ING-DiBa's risk management activities.

In order to determine the overall risk position, the individual risk types are first considered separately. Each risk type is quantified using appropriate models. When quantifying the counterparty default and operational risks, the same methods are used as for calculating the economic and regulatory minimum capital requirements under Basel II (Internal Ratings-Based Approach – IRBA or Advanced Measurement Approach – AMA). Interest rate and liquidity risks are quantified using the Bank's present value model.

The Risk-Bearing Capacity Concept remained in place in 2011 without any conceptual changes compared to the previous year. The orderly inclusion of the corporate customer business in the Bank's risk model was also analyzed and ensured and the Risk-Bearing Capacity Concept was expanded to include the corporate customer business in connection with the integration of the Commercial Banking segment. The Bank also methodically refined and enhanced the Risk-Bearing Capacity Concept. In the future, the Bank's risk-bearing capacity will be assessed from both a going-concern as well as a liquidation perspective. The revised concept was implemented starting January 1, 2012.

Risk-taking potential and risk limits

The risk-taking potential is determined by the Bank's capital that is available for covering its risk exposure and potential risks. Only a portion of the risk-taking potential is ever allocated as risk-taking capital. The amount of allocated risk-taking capital and the definition of the limit buffer, the overall limit, and the allocation of limits to the individual risk types is determined annually by the ALCO and is based on the business strategy and the associated risk appetite of the Management Board.

No diversification effects between the risk types are currently considered. The risks quantified using the instruments appropriate for the respective risk type are compared to the corresponding limits and regularly monitored to ensure risk-bearing capacity.

The limits or limit allocation can be changed at any time if required. Limit changes must be approved by the ALCO and subsequently confirmed by the respective responsible committee (ORC or CRC).

Risk-bearing capacity in the year under review

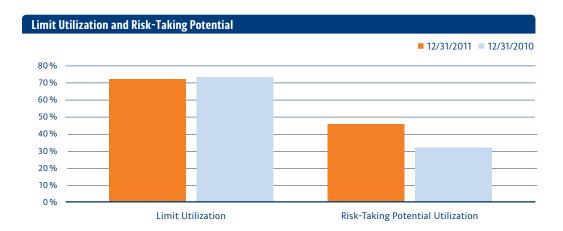
The Bank's risk-bearing capacity was ensured at all times during the course of the 2011 fiscal year. The existing limits were not exceeded.

	Year under review 12/31/2011 Limits	Year under review 12/31/2011 Utilization of limit	Prior year 12/31/2010 Limits	Prior year 12/31/2010 Utilization of limit
	€ m	% limit	€m	% limit
Credit risks	1,650	72 %	1,200	97 %
Market and liquidity risks	1,250	75 %	500	26 %
Operational risks	300	62 %	300	54 %
Total limits	3,200	72 %	2,000	73 %
Free risk-taking capital	992		1,690	
Limit buffer	850		800	
Risk-taking potential	5,042		4,490	

The limit for counterparty default (credit) risk was increased from EUR 1.2 billion to EUR 1.65 billion at the beginning of the year in light of the planned growth and in consideration of an adequate buffer. The risk appetite did not change. The increase in market price risk resulted mainly from an intentional reduction in the duration of the investments from savings deposits in the second half of 2011. This resulted in a higher calculated risk of falling interest rates.

The utilization of the entire risk-taking potential amounts to 46 percent as of December 31, 2011 (previous year: 32 percent). The risks from the ING Bank branch's Commercial Banking business were included in the calculation of risk-bearing capacity for the first time in the third quarter of 2011. The effect on the Bank's overall risk exposure was insignificant; therefore, it was not necessary to adjust the management framework.

The following graphic compares the utilization of limits and the risk-taking potential. The utilization of limits decreased slightly in comparison with the previous year and amounted to 72 percent as of December 31, 2011 (previous year: 73 percent).



Stress tests

The performance of stress tests within ING-DiBa is a key component of risk management and serves alongside other risk management concepts (such as risk inventory and risk-bearing capacity) for managing the Bank's overall risk profile.

ING-DiBa established other stress procedures in addition to observing representative stress scenarios within the framework of the Risk-Bearing Capacity Concept. These procedures are observed within the Risk-Bearing Capacity Concept and, in addition to standardized risk category-specific stress tests conducted periodically each quarter, they also include integrated ad hoc stress tests and inverse stress tests.

The effects of a strong global recession are examined for all significant risk types in the representative stress scenarios and observed in the context of the Risk-Bearing Capacity Concept. The objective is to review the Bank's risk-bearing capacity in the event of a potentially sharp economic downturn. An increase in probabilities of default (PD) and losses given default (LGD) was assumed for counterparty default risks to simulate a strong recessionary phase. The effects of the strong recession on market price and spread risks are modeled by changing in market interest rates and/or spreads. A stress factor for the economic capital was assumed for the operational risks. The results of the representative stress tests across risk categories conducted as of December 31, 2011, show that the available risk-taking capital also sufficiently covers the overall risk exposure under stress.

The effects of various recessive macroeconomic trends on economic and regulatory capital are analyzed as part of the standardized integrated stress tests for counterparty default risk. The Bank defined standardized scenarios for various degrees of economic downturn for all sub-portfolios in the retail and institutional business as well as in Commercial Banking, whereby the recession scenarios are simulated using an increase in the probabil-

ity of default as well as elevated losses given default. With respect to the standardized stress tests for market price risk, the impact of market interest rate shocks, interest rate adjustments, and changes in volume on the expected result are observed, with the changes in market interest rates modeled using parallel shifts (shocks) of yield curves and tilting scenarios.

The appropriateness of stress scenarios are reviewed annually and adjusted as needed.

For the integrated ad hoc stress tests, the Bank installed an expert committee made up of board members and specialists in management positions which defines one or more scenarios for the Bank – taking the current economic operating environment into account – that could arise in particular from a combination of various economic parameters. The results of the stress tests are assessed in the expert committee against the background of risk-bearing capacity. Potential management impulses are also derived for the future. As part of the ad hoc stress tests, the Bank developed and analyzed three stress scenarios during the reporting year. In addition, the Bank performed inverse stress tests for the first time in 2011.

The two departments Risk Management and Market & Liquidity Risk Management are responsible for carrying out stress tests, the performance of which is part of the Bank's risk management process and internal process for ensuring risk-bearing capacity (Internal Capital Adequacy Assessment Process, ICAAP).

Risk concentration

With its focus on retail business, ING-DiBa consciously accepts certain concentrations at the product level in this business line. These concentrations are qualified by the broad diversification within the individual portfolios of the standardized retail business. A homogeneous distribution in the retail portfolio is ensured by defining certain product features and specifying maximum loan and limit amounts as well as maturities.

A broader diversification was achieved for the Bank's overall portfolio with the integration of Commercial Banking. The intentional concentrations on selected clients, industries, and asset classes in the institutional business and in Commercial Banking occur against the background of size specifications and target customer definitions. These are regularly monitored.

The objective of risk management activities is to identify risk concentrations within the scope of analyses and to find opportunities for diversification, if necessary. The Bank defined specific limits outside the Risk-Bearing Capacity Concept for the management of concentrations. The limits are reviewed regularly and adjusted if necessary. In addition, all loan port-

folios are analyzed for potential concentrations in separate concentration reports. The results are a part of regular reporting in the risk committees (CRC, ALCO).

ING-DiBa implemented a country limit system through which the country risks from all business segments are monitored for the management of concentrations at the country level. Commercial Banking activities were integrated in the country limit system for the purposes of holistic management of all risks from international transactions.

Concentrations with respect to interest rate risk could arise as a result of too narrow a focus on individual points of the yield curve. Corridors for each maturity bucket are defined for the net cash flow profile in order to avoid these concentrations in individual maturity buckets.

In terms of liquidity risk, refinancing is intentionally concentrated on retail savings deposits, comprised in turn of a very granular portfolio in light of ING-DiBa's business model with its focus on the retail business in Germany. The issue of mortgage Pfandbriefe as well as global loans from the Kreditanstalt für Wiederaufbau (KfW) for the granting of home construction loans represent other long-term sources of refinancing. In addition, measures are taken to diversify the refinancing. The risk quantification, monitoring and management of concentrations is carried out within the framework of special analyses, scenario simulations, and stress test analyses.

Risk reporting

The Market & Liquidity Risk Management and Risk Management departments as well as the ING Bank branch's Credit Risk Management are responsible for risk reporting, which is directed to the Chief Risk Officer or the entire Management Board as well as to members of the corresponding risk committees depending on the focus of the risk. The Supervisory Board is informed by the Management Board on a regular basis, at least four times per year.

Reporting is tailored to the significance of the risks and is prepared on a daily, weekly, monthly or quarterly basis. In the event of changes in important parameters of risk calculation or relevant factors of influence in the market environment, the decision-makers are promptly made aware of all relevant information.

The risk-bearing capacity is generally calculated quarterly, or also on a monthly basis if necessary. The results are presented to the participants of the ALCO as well as other risk committees if applicable.

Documentation of the risk utilization by individual risk type is provided through a regular report from both departments mentioned above and includes all units belonging to the ING-DiBa Group.

Monitoring and management of market price risks

Risk definition

Market price risk is generally understood as the potential loss resulting from a change in market parameters.

Due to its business model and the strategy pursued, ING-DiBa is only exposed to a limited number of market price risks. Essentially, the Bank differentiates between general interest rate risk (risk of changing interest rates) as the potential loss resulting from a change in the risk-free interest rate and the spread risk, which ING-DiBa defines as residual risk, i.e., the risk that the value of a financial instrument changes at a higher or lower rate than the overall market.

The assumption of currency risk (also exchange rate risk), i.e., the risk of impairment of a position resulting from changes in one or more foreign currency exchange rates, is not part of the Bank's core business activities. Foreign currency transactions are only entered into in connection with customer transactions and are generally hedged directly using corresponding countertransactions. Open foreign exchange positions are not actively entered into and arise as residual amounts.

Volatility risks arise in two forms at ING-DiBa:

Explicit options – associated with the risk that the value of an option position reacts due to potential changes in value resulting from market fluctuations of the volatilities applied for the option valuation. These changes can result in impairment of the position (caps, floors, swaptions). The Bank currently holds no positions in explicit options. Consequently, the volatility risk from explicit options is insignificant.

Implicit options – associated with the risk of changes in customer behavior due to market fluctuations. Implicit options are taken into account in particular in the model risk in the area of other risks.

The area of share and fund price risk as well as commodities risk is irrelevant for ING-DiBa's business

Organization

The Management Board commissioned the Market & Liquidity Risk Management department with monitoring compliance with market price risk regulations. This responsibility includes application of methods and models for risk identification and measurement, monitoring limits and the reporting function. The Treasury department is responsible for the implementation of operational management measures. Within the scope of the segregation of functions, trade activities of the Treasury are organizationally separate from the settlement activities of the Back Office.

Market price risk strategy

The strategic orientation of market price risk management is based directly on the business strategy.

Market price risks are generally incurred only in connection with asset/liability management and thus form the basis for pursuing the general corporate policy goals in the Retail and Commercial Banking segments.

Intentionally open positions are not entered into in order to bet on certain changes in market price parameters. The Bank does not carry out any trading transactions with the intention of generating short-term profits by taking advantage of market price fluctuations. Therefore, the Bank does not use a trading book and holds the positions in its banking book. In light of this, ING-DiBa pursues a passive strategy in the area of interest rate risk.

As a matter of principle, ING-DiBa stipulates that market price risks may only be incurred in line with the risk tolerance established by the Management Board. The primary goal of the market price risk strategy is to ensure that the sum of all market risks incurred always remains smaller than the risk-taking capital allocated for this type of risk.

The following goals are cited with respect to the Bank's continued existence as a going concern:

- Ensuring the sustainability of the earnings and capital base as well as the security of customer deposits
- Also taking unexpected market developments into account and/or avoiding unbearable market price risk
- Ensuring sufficient leeway to adjust terms and conditions in the event of unfavorable changes in market interest rates

- Limiting investment duration such that a positive net profit can be generated for the period and/or there is no significant negative impact on the present value of the Company in the event of unexpectedly significant changes in interest rates
- Minimizing currency risk
- Generating transparency of actual and potential market price risks
- Complying with statutory and regulatory as well as internal and Group-wide guidelines

Operational risk management and risk controlling

The management of ING-DiBa's market price risk includes the following core elements for which the Market & Liquidity Risk Management department is responsible:

- Ensuring the correct entry of position data
- Reviewing adherence to limits and approval for exceeding limits
- Identification, measurement, and management of market price risks
- Preparation, maintenance, and further development of market price risk models
- ▶ Keeping the management adequately informed of the risk situation
- Conducting scenario analyses and stress tests.

The Bank pursues a dual management approach in the area of interest rate risk. ING-DiBa analyzes the effects of interest rate risk on the one hand from a periodic perspective for net interest income and on the other hand in the present value analysis for the economic value of the Bank.

The Earnings at Risk (E@R) approach is used for analyzing the effects on net interest income. This approach involves simulation calculations for a 36-month planning horizon, which forecast net interest income as well as its change for various scenarios and reflects planned future new business. Market and business parameters (e.g. volume growth, customer terms and conditions) are changed and their effects are examined as part of the analysis.

A warning limit was set to monitor the analysis results within the scope of the E@R approach. The indicator is calculated from the ratio of the scenario's forecasted net interest

income to the planned total costs and is designed to ensure that the income generated from business activities exceeds the costs under all observed scenarios.

ING-DiBa applies the Economic Value at Risk (EV@R) on the basis of a detailed present value model as a metric for measuring the present value effect of interest rate risk. The metric describes the sum of the carrying amount of shareholders' equity and "added value", which is defined as the present value of all future cash flows from continuing operations and represents an indicator for the increase in value of the banking book.

Within the regular monthly simulation analyses, the effects of changes in market interest rates on the present value of the portfolio are analyzed. The risk amount is determined as the respective difference in present value under a defined interest rate scenario from the present value of the base scenario. ING-DiBa uses internal models to calculate the present value of customer transactions. Appropriate assumptions are made for products with unknown capital commitments and for options contained in the products. The assumptions applied are validated through regular backtesting.

The Basel II ratio serves as the standard limit for the deviation of the Economic Value at Risk. This metric limits the negative change in present value for a defined interest rate scenario to 20 percent of the Bank's liable capital. The relevant scenario is determined based on the corresponding specifications of the supervisory authorities.

In contrast to retail banking and the institutional business, the Bank enters into foreign exchange positions in Commercial Banking in connection with customer transactions. However, these transactions are generally hedged through corresponding countertransactions in order to minimize the remaining risk. The Bank quantifies and limits currency risk using two metrics. Firstly there is a position limit that limits the net sum of all open foreign exchange positions. In addition, a Foreign Currency Value at Risk (FX VaR) was established and limits were defined. Both metrics are calculated on a daily basis.

Sensitivity analysis in the year under review

The sensitivity of net interest income measures the effect on net interest income in the next twelve months in the event of a shock-like increase or decline in the yield curve. Following the ad hoc change, the analysis assumes that the interest rate remains at the changed level for one year.

The following graphic depicts the results from the sensitivity analysis of net interest income for an interest rate shock of 100 basis points (BP) upwards and downwards in all maturity bands:

Sensitivity of net interest income Scenario	2011 in %	2010 in %
+100 bp	- 0.73	-2.07
-100 bp	11.81	14.85

As of December 31, 2011, assuming a parallel interest rate increase of +100 basis points, results of the sensitivity analysis show a decline of -0.73 percent (previous year: -2.07 percent) in net interest income compared with the starting point. Assuming a parallel interest rate decrease of 100 basis points, net interest income would have increased by 11.81 percent (previous year: 14.85 percent) based on the existing low market interest rate level. The decrease in volatility compared to the previous year was primarily the result of a slight decrease in the duration of investments from savings deposits and the associated elevated speed of adjustments on the assets side to reflect changes in market interest rates.

The following graphic depicts the results of the sensitivity analysis on economic value. The analysis illustrates the impacts of interest rate changes on the present value of the overall Bank. The change in the present value of the overall Bank cannot be linked directly to the impact on the income statement or equity. The greatest portion of the changes in present value arises from items not measured at fair value; changes in the value of those items thus have no impact on the statement of financial position. During the sensitivity analysis, an ad hoc parallel shift of the yield curve of +/- 100 basis points in all bands is assumed:

Economic value sensitivity Scenario	2011	2010
Scenario	in %	in %
+ 100 bp	3.57	- 0.68
– 100 bp	- 5.66	3.39

Assuming an interest rate shock of +100 basis points, the Economic Value would increase by 3.57 percent (previous year: -0.68 percent), whereas a negative change of -5.66 percent would result from a decrease in the interest rate (previous year: +3.39 percent). The reason for the negative exposure given falling market interest rates is the shorter duration of investments made with the call demand deposits.

Limitation

The direction, extent and timing of changes to market interest rates are by nature unknown and cannot be predicted. ING-DiBa manages its portfolio accordingly by limiting the effects of changes in the market interest rate on financial earnings power and capital

base. At ING-DiBa, market price risks are monitored using a system of risk limits based on sensitivity and present value analyses.

The ALCO approves the limits and is regularly informed of limit utilization. The Management Board and the ALCO are informed immediately if a limit is exceeded.

Market price risk reporting

Timely information on relevant developments which could impact net interest income or the Economic Value at Risk, for example, is an essential element in ING-DiBa's market price risk management organization.

As an independent unit, the Market & Liquidity Risk Management department prepares the relevant reports on a daily, monthly, and quarterly basis. Reporting lines exist to the local ALCO and the ALCO of the parent company, although the respective members of the board are also automatically included. Reporting provides information on monitoring of the limits and requirements in place. The Supervisory Board is informed of the risk situation on a quarterly basis at a minimum. In addition, in the event of special or unexpected developments, reports are provided on an ad hoc basis.

Monitoring and management of liquidity risks

Risk definition

Liquidity risk is not an actively generated risk; instead, it is a by-product of core business activities. Disruptions in the liquidity of individual market segments (e.g. in crisis situations), unexpected events in the loan and deposit business (withdrawal of deposits, late payments, etc.), or the deterioration of the Bank's refinancing basis (e.g. as a result of a decrease in its rating) can result in the institution no longer being able to meet its payment obligations in an extreme case or can be reflected in a decrease in net income.

With respect to liquidity risk, the Bank accordingly differentiates between

- ▶ The risk of insolvency (liquidity risk in the narrow sense) as the risk that the Bank can no longer meet its current and future payment obligations in full or on a timely basis
- Refinancing risk (liquidity maturity transformation risk) as the risk of only being able to raise additional refinancing funds at increased market interest rates on the money and capital markets
- Market liquidity risk as the risk of only being able to liquidate assets (e.g. securities) on the market with discounts as a result of extraordinary circumstances

Organization

The Management Board bears the responsibility for structuring the organization and tasks within liquidity risk management. Methods and processes for risk management along with the related responsibilities were established on the basis of the liquidity risk strategy.

Due to ING-DiBa's business model, liquidity risk dovetails closely with market risk. The Management Board commissioned the Market & Liquidity Risk Management department with monitoring compliance with liquidity risk regulations. This responsibility includes application of methods and models for risk identification and measurement, monitoring limits and the reporting function.

The Treasury department is responsible for the implementation of operational management measures.

Liquidity risk strategy

As a result of its specific business model, ING-DiBa's assets are normally less liquid than its liabilities, the majority of which are comprised of technically short-term demand deposits by retail customers. Consequently, ING-DiBa's greatest liquidity risk is an adverse trend in the volume of retail deposits given a fixed commitment of longer-term assets (no growth and/or withdrawal of deposits). Such a case can result in losses if assets either have to be liquidated or alternatively refinanced via the money and capital markets. In an extreme case, the aforementioned development can lead to insolvency.

Consequently, the primary goal of the liquidity risk strategy is ensuring a stable and comfortable liquidity position that prevents in particular insolvency as well as potential losses from the liquidation of assets or refinancing on the money and capital markets. The following goals are cited with respect to the Bank's continued existence as a going concern:

- Ensuring solvency at all times (provision of adequate liquidity reserves) under normal conditions and in stress situations
- ▶ Ensuring the adequate management of liquidity risk in the narrow sense for the management of the Bank's expected liquidity requirements
- Provision of an appropriate liquidity buffer in order to close financing gaps in a crisis situation

- Compliance with statutory and regulatory as well as internal and Group-wide guidelines
- Maintaining an adequate liquidity crisis organization

Liquidity contingency plan

ING-DiBa has established a liquidity crisis plan that specifies actions to be taken by the Management Board and the ALCO, Treasury, and Market & Liquidity Risk Management to deal with liquidity crisis situations. The liquidity crisis plan represents the core element of liquidity management in crisis situations. It includes the following aspects:

- Defined criteria to initiate the liquidity crisis plan
- Strategy for covering liquidity shortages in emergency situations
- ▶ Rules for tasks, responsibilities, and decision-making authority in a crisis
- Rules for informing management and preparing the information in a timely manner
- The internal/external paths of communication used in the event of a liquidity shortage
- Measures that are continuously reviewed for their ability to be executed and adjusted if necessary
- ▶ The results of stress tests to be taken into account
- Planning of alternative refinancing sources (customer deposits, central bank deposits, money market transactions, sale of liquid assets, securitization of assets, Pfandbrief issues), taking any income shortfall into account.

In the event of a crisis, the liquidity crisis management team will be convened to determine and initiate all necessary measures and activities. This special committee is made up of members of the Management Board and the responsible departments.

The most important tasks include assessing the crisis situation and activation and execution of the liquidity contingency plan. The chairman of the local liquidity crisis management team liaises with ING Direct N.V. and the ING Group.

Operational risk management and risk controlling

ING-DiBa's liquidity risk management includes the following core elements for which the various units in the Market & Liquidity Risk Management, Treasury, Trade Settlement, and Accounting departments are responsible:

- Ensuring the correct entry of position data
- Review of adherence to limits and approval for exceeding limits
- Determination of medium and long-term refinancing structure within the scope of multi-period planning
- Liquidity risk measurement and management
- Preparation, maintenance, and further development of the liquidity risk model
- ▶ Keeping the management adequately informed of the risk situation
- Execution of stress tests
- Determination of internal transfer prices for liquidity
- Monitoring of transactions with Group-affiliated companies from a liquidity perspective
- Development and implementation of a contingency plan for liquidity risks

Under normal conditions, customer deposits serve as ING-DiBa's main refinancing basis. The following table depicts the Bank's refinancing structure at the last two reporting dates:

Refinancing structure	12/31/2011	12/31/2010
	in %	in %
Due to customers	83	85
of which variable-interest savings deposits	60	63
of which fixed-interest savings deposits	19	20
of which deposits in current accounts	2	2
of which other deposits	2	0
Other liabilities	12	10
Equity	5	5
Equity and liabilities	100	100

The table above shows ING-DiBa's refinancing structure. The sum of equity and liabilities is broken down according to amounts due to customers, other liabilities, and equity. In addition to traditional variable and fixed-interest savings deposits, the portfolio of amounts due to customers includes customer deposits to current accounts and other deposits from institutional customers and recorded an increase of over EUR 8.6 billion in the reporting period. At 83 percent (previous year: 85 percent), the ratio of amounts due to customers to total equity and liabilities was at a similarly high level as on December 31, 2010. In addition to Pfandbrief issues, other liabilities essentially include securitized liabilities in connection with the Pfandbrief issue and amounts due to banks and have increased slightly compared to December 31, 2010, to 12 percent (previous year: 10 percent). With a share of 5 percent, equity remains stable at prior-year levels.

ING-DiBa operates its banking business as a fully licensed bank. On this basis, it has direct access to European money and capital markets as well as to the investment and refinancing opportunities offered by the European Central Bank (ECB).

Thus, ING-DiBa has sufficient flexibility at all times for both its daily liquidity management as well as for liquidity crisis management. In addition to retail customer deposits as the main source of refinancing, ING-DiBa can also use other alternative refinancing sources:

- Money market transactions and repos with other counterparties
- Sale or pledge of asset positions (e.g. from the portfolio of highly liquid securities)
- Securitization of assets (e.g. securitization of private mortgage loans from ING-DiBa's portfolio)
- Use of KfW global loans for lendings related to residential properties
- Long-term refinancing on the capital market through Pfandbrief issues

On June 22, 2011, ING-DiBa placed its first mortgage Pfandbrief with a 5-year maturity in the amount of EUR 500 million on the capital market. Despite the difficult market environment, the order book was oversubscribed by 100 percent. Investors were convinced by ING-DiBa's creditworthiness as well as the underlying cover assets (exclusively granular, retail mortgage loans in Germany), whose top quality was reflected in the Aaa rating issued by Moody's rating agency. With the Pfandbrief issue, ING-DiBa succeeded in broadening its refinancing basis. ING-DiBa's long-term liabilities were given a Aa3 rating by Moody's.

Insolvency risk is regularly monitored by the Market & Liquidity Risk Management department using scenario analyses on the basis of a gap calculation based on cash flow and quantified using the presentation of the liquidity ratio. The refinancing risk can be classified as low due to ING-DiBa's low dependency on the money and capital markets as a source of refinancing. Market liquidity risk is taken into account as part of the calculation of risk-bearing capacity.

The funding matrix for the next twelve months is observed within the scenario analyses under various assumptions with respect to future development.

In addition to the base scenario, other scenarios are regularly prepared in which unfavorable assumptions for liquidity development are made. The liquidity gaps are determined and cumulated for the individual periods subsequent to the calculation of cash flows from assets and the liquidity requirements of liabilities for each period. In order to assess the development of liquidity, the cumulative liquidity gaps are compared to the securities and loans against borrower's notes available for sale in the respective periods.

In this context, the liquidity ratio is calculated from the quotient of the portfolio of freely available securities and cumulative liquidity requirements: A surplus must be guaranteed at all times, in all scenarios and in all maturities, i.e., the liquidity ratio must be at least 1.0.

The development of the liquidity ratio over the course of the last three years is presented in the illustration below for the observation period of one month. The least favorable of the scenarios observed during the periodic risk analysis is applied. Despite the worst assumptions, in particular in the form of massive outflows of customer deposits, the ratio was always above the limit:



The liquidity ratio showed a decreasing trend in the reporting period. The reason for this was an extraordinarily high level of short-term money market positions at the beginning of 2011, which normalized over the course of the year.

The results of the scenario analyses are presented in monthly meetings of the ALCO and/ or the Management Board if necessary. The design of the scenarios is further developed and optimized on an ongoing basis.

Limitation

The Bank sets limits for both the risk of insolvency as well as the risk of financial effects from liquidity crises. To ensure solvency, limits are placed on maximum liquidity gaps in the simulation analysis maturity bands. Within the scope of the Risk-Bearing Capacity Concept, limits are set for the liquidity risk in the form of risk-taking capital in order to limit possible effects in a liquidity crisis.

Liquidity risk reporting

The Market & Liquidity Risk Management department is responsible for reporting on liquidity risks. The reports are adapted to the significance of the risks, include all important regulatory and/or internally required contents, and are regularly prepared at daily, weekly, monthly, or quarterly intervals. The reports are addressed to the entire Management Board of ING-DiBa as well as the members of the corresponding risk committees, depending on the specific topics addressed. In addition, there is a separate reporting path for ING Direct N.V. The Supervisory Board is normally informed of the liquidity situation by the Management Board on a quarterly basis. The regular reports are supplemented by reports on the results of the scenario analyses and stress tests. The relevant parties are promptly informed in the event of changes in important parameters of risk calculation or relevant influential factors in the market environment as well as during crises (ad hoc reporting).

Monitoring and management of credit risks

Risk definition

The Bank defines credit risk and/or counterparty default risk as the risk of potential loss of value which can arise due to changes in creditworthiness or due to illiquidity ranging to the insolvency of a business partner. Counterparty default risk is substantiated as follows:

Creditworthiness and default risks constitute the risk of a loss due to changes in creditworthiness or the non-repayment of capital loaned to the borrower. This is the traditional credit risk in the retail and commercial banking businesses. In the institutional business, it can be further differentiated as issuer or counterparty credit risk and settlement risk.

- **Issuer and counterparty credit risk** includes potential losses in value resulting from the default of a contractual partner or the deterioration of their credit rating. In association with this, there are risks for unrealized gains on executory contracts. This risk is also called the replacement risk. This consists of the additional expense resulting from the necessity of concluding a new transaction for the lost transaction.
- Settlement risk constitutes the risk of a contractual partner not fulfilling their end of a contract after the Bank has already fulfilled its obligations or, when performance is mutually offset, the compensatory payment is not made. Settlement risk can be ruled out if the equivalent is acquired in advance with good value from the contractual partner or is to be acquired in the form of delivery against payment or if there is sufficient cover.
- Country risks are understood as potential losses in value that arise despite the debtor's solvency and willingness to pay due to overriding government impediments (transfer risk).

Organization

Within the framework of its overall responsibility, the entire Management Board has defined basic loan policy for all business activities and also established methods and processes for credit risk management with the corresponding responsibilities and competencies.

The Risk Management department was commissioned by the Management Board with managing credit risks for ING-DiBa. It was also given the responsibility for the applied methods and models for identifying, quantifying, and managing the credit risks as well as for the function of reporting and monitoring operational limits. In addition, Risk Management formulates the basic rules for dealing with credit risk positions, including specifications for management at the portfolio level, based on the credit risk strategy approved by the entire Management Board.

The Management Board transferred responsibility for the operational management of credit risks resulting from Commercial Banking in the ING Bank branch to the Credit Risk Management department, which is located directly in the branch office. Similarly, the Risk Management department in the Austrian branch is responsible for the operational management of credit risks.

The functional and hierarchical separation of the business is ensured by the division of responsibilities according to ING-DiBa's organizational chart.

Credit risk strategy

ING-DiBa's credit risk strategy is oriented on the Bank's basic risk strategy of only incurring risk as necessary to achieve the strategic goals. Accordingly, ING-DiBa's loan policy is designed conservatively. Value is placed on high product quality and a balanced ratio of returns and risk for all loan transactions. In addition, the Bank practices a strict risk selection and concentrates on creditworthy borrowers.

ING-DiBa's credit risk strategy is based on three pillars:

Credit Risk Strategy	
Commercial Banking	Institutional Credit Portfolio
Investment Finance Working Capital Finance Export Finance Acquisition Finance	Bonds & Promissory Notes ABS/MBS Money Market Transactions Derivatives
Integrated Business Segment	Balance sheet structure & Liquidity
Individual customer oriented	Capital market oriented
Balanced relation of risk and return	
	Commercial Banking Investment Finance Working Capital Finance Export Finance Acquisition Finance Integrated Business Segment Individual customer oriented

In its core segment of Retail Banking, ING-DiBa concentrates on customers with low, calculable risk domiciled in Germany or Austria. With respect to products, the Bank focuses on simple, understandable loan products. For the most part, this is not risk-relevant business as defined under the Minimum Requirements for Risk Management (MaRisk). The focus is on mortgage loans, although the high-volume real estate business forms the exception and is intentionally held at a low level.

The ING Bank branch's Commercial Banking business is focused on individual financing solutions. Accordingly, ING-DiBa's Commercial Banking services also include products in the area of export and specialized lending, in addition to traditional corporate lending, including payment transactions. The focus lies on companies with investment grade ratings, in partic-

ular on large corporates with sales in excess of EUR 1 billion. In the area of export financing, the loans are guaranteed to a high degree through government export credit insurance.

The capital market-oriented institutional business includes the management of assets and liabilities and the Bank's liquidity management. Hence, the guiding principle for the institutional loan business is "security and liquidity before returns". ING-DiBa established a restrictive spectrum of permitted counterparties and transactions in the institutional business based on this goal. For instance, the Bank only enters into transactions denominated in euros. Investments in shares are explicitly forbidden. In addition, no new investments have been made in the ABS/MBS asset class for a number of years. New business in this area is limited to investments in securitizations of Dutch retail mortgage loans granted by ING Bank N.V. (ING Bank). In light of the sovereign debt crisis in Europe, the Bank intentionally avoids exposures in critical countries and has reduced existing exposures.

Operational risk management and risk controlling

ING-DiBa has implemented various management elements at all levels of credit risk management in order to manage and monitor credit risks. All building blocks of credit risk management represent important measures for implementing the Bank's loan policy.



EL: Expected loss; UL: Unexpected loss; SIA: Specific impairment allowance; PBIA: Portfolio-based impairment allowance; RWA: Risk weighted assets

Credit risk policy

The Bank's product policy emphasizes a high quality of products and services for its customers in accordance with ING-DiBa's general strategic orientation and the guidelines for the loan business defined in the credit risk strategy.

According to this principle, product policy in the retail business is geared toward simple, easily understood products that facilitate standardized, scalable processes. For mortgage loans, lending is focused on financing owner-occupied residential units. Other retail lending busi-

3.6 Risk Report

ness includes consumer loans, in particular installment loans and lines of credit in the form of revolving credit and overdraft lines of credit on current accounts.

In order to offer Commercial Banking customers a high degree of service and product quality, product policy in the Commercial Banking segment is oriented on comprehensive and individual financing solutions. ING-DiBa strives to win long-term customer loyalty by means of a "multi-product" customer relationship.

The catalog of authorized products is set up conservatively in the institutional business and is concentrated on transparent, plain-vanilla products without share price or foreign currency risks. The focus – also with respect to Basel III – lies clearly on government or covered investments

Based on the risk-averse orientation of the Bank, the defined willingness to assume risk (risk appetite) is further substantiated in the specific lending criteria and criteria for setting limits, as well as the approval and authority structures.

Credit risk measurement

ING-DiBa uses the advanced IRB approach (IRBA model according to Basel II / Solvency Regulation (Solvabilitätsverordnung, "SolvV")) for risk measurement and assessment. This approach complies with the methodical and procedural/organizational requirements of the banking authorities (BaFin). In addition to supporting the loan decision process, the rating results also serve in particular the calculation of expected and unexpected losses of the Bank's positions exposed to counterparty default risk.

The internal rating models in the retail business were developed in coordination with the Group parent company ING. In the commercial banking and institutional business, ING-DiBa uses global IRBA models that were modeled centrally by ING for Group-wide implementation. Within the scope of monitoring the ratings system, Risk Management routinely reviews, among other things, the forecast quality, accuracy and stability of the models, and ensures their functionality and proper application. In addition, the models are reviewed on an annual basis independently of ING's Group-wide model validation unit. In this way, potential changes in the loss history with effects on the functionality of the ratings system can be identified early and adjusted if needed within the scope of the applicable model governance guideline. The Bank's Management Board receives regular information on the functionality of the IRBA models as well as on the results of the ratings performed as part of the management reporting process.

Credit risk management

Policies and processes: Credit policies substantiate the specifications for entering into credit risk positions defined in the Bank's credit risk strategy and regulate all important operational management measures and loan processes. Credit approvals are provided according to an established system of authorities, which act as a framework within which decision-making individuals or bodies are authorized to approve lending transactions.

The adequate segregation of functions between the Front Office, Back Office and Risk Monitoring in accordance with regulatory requirements (KWG, MaRisk) is essential for loan approval. The majority of ING-DiBa's standardized retail business is not risk-relevant. For real estate loans in the retail business classified as risk-relevant (equal to or in excess of EUR 1.5 million), the loan decision-making authority lies with ING-DiBa's entire Management Board. The Bank has established an authority matrix for decision-making powers in the commercial banking lending business based on the riskiness of the transactions. Approval in the institutional business is granted within the scope of the limit system established by the entire Management Board.

The strategic principle of efficient processes is taken into account in the entire lending process. The Bank has largely standardized its lending processes in the retail business. Credit approval, processing and process control are heavily automated by integrating the appropriate application controls and approval authorities in the corresponding IT systems.

Monitoring the risk profile and early risk identification: In order to identify changes in the risk structures early in the individual portfolios, the Bank regularly conducts loan portfolio analyses and stress test scenarios. These are based on, among other things, advanced IRBA models to determine value at risk or the expected and unexpected losses for portfolios subject to counterparty default risk.

The efficient management of the risk profile in commercial banking and in the institutional loan business is also carried out through the approval processes. These are embedded in the Group-wide Credit Risk Management department of ING Bank and include both the comprehensive credit assessment of each customer as well as an estimate of the suitability of the planned transaction volume. Industry, market, and rating changes are also observed on an ongoing basis. The standard measures for early risk identification also include the monitoring of late interest and capital payments. Conspicuous customers with elevated risk are closely monitored on the watch lists for the commercial banking and institutional business.

In addition, the development of the credit spreads is monitored in the institutional business as an enhanced measure for risk monitoring. Stress tests are also carried out period-

ically for the entire ABS/MBS portfolio in order to obtain early indications of any existing requirement to set aside loan loss provisions.

Collateral management: ING-DiBa places strict requirements on the quality of collateral taken on deposit. For instance, mortgage loans are always secured by means of an enforceable, senior, registered land charge on the property to be financed. Property accepted as collateral must be domestic and used mostly for residential purposes. The valuation for all mortgage loans is based on a conservative approach.

The Bank follows the fair value fluctuation concept developed by the German banking industry for residential units of the Bundesverband deutscher Banken e.V., Berlin (Association of German Banks). The fair value fluctuation concept has been recognized by BaFin and the Deutsche Bundesbank as a statistical method under the German Banking Act (Kreditwesengesetz, "KWG"). The Bank uses this method to ensure that significant house price fluctuations are identified during the annual analysis. In addition, ING-DiBa carries out an annual update of the valuation for properties in the credit risk-relevant real estate loan business. The relevant real estate markets are also periodically analyzed.

For other retail loans (installment loans, credit lines and overdraft facilities on current accounts), the loan application already includes the assignment of wage and salary claims. This assignment is not disclosed to the borrower's employer until expiration of the deadline set in the letter of termination at the earliest.

The Bank strives to obtain cover in the commercial banking business through collateral, in particular guarantees. Economic and political risk within the scope of structured export financing is covered by government export credit insurance.

The majority of investments in the institutional loan portfolio are covered investments (covered bonds, securities with government guarantees). Generally, pre-settlement transactions (repo and swap transactions) may only be entered into if there is a collateral agreement. In the case of swap transactions with a collateral agreement, collateral must be provided in cash in euros; in the case of reverse-repo transactions, only high-quality securities are accepted.

Credit monitoring and problem loan procedures: ING-DiBa monitors all risk-relevant loan exposures at least annually as part of a comprehensive analysis of a borrower's economic situation and conducts additional ad-hoc analyses as deemed necessary.

Prior to the date on which the lending commitment is terminated, intensified management of retail loans in arrears is the responsibility of the teams specialized in dunning

procedures within the mortgage loan and other retail loans product areas. After termination of the exposure, the Collection desk of the Risk Management department takes over responsibility for the market sale, foreclosure sale and collection.

If payment interruptions, negative market developments, or negative industry trends occur in the commercial banking or institutional business, or information is obtained about a borrower's financial difficulties, the affected loan exposure is placed on a watch list and closely monitored. Prompt and meaningful reporting to all decision-makers, including the Management Board, is a crucial component of intensified monitoring on the part of the responsible Risk Management department. This ensures that corresponding measures to limit the risk are taken in a timely manner.

Portfolio management: ING-DiBa's goal is to avoid inappropriate concentrations, thereby ensuring an adequate capital situation for the Bank at all times. Specific loan granting and product design criteria and approval processes serve as management instruments. A differentiated limit system also contributes to sustaining the defined risk profile both on the level of the individual borrower as well as at the portfolio level. In addition, efficient portfolio management is ensured through periodic monitoring of the risk structures and potential concentrations in the individual loan portfolios both in new as well as existing business.

In order to minimize country risks, ING-DiBa has implemented a country limit system through which all risks associated with international transactions are managed and monitored comprehensively. In order to ensure a low-risk structure of the institutional portfolio, additional country restrictions apply for the institutional business.

Credit risk controlling

Limit review: ING-DiBa has set up corresponding lines in the limit systems for all approved loans taking the respective term to maturity into account. Compliance with the extended credit lines is monitored daily. In addition, the specific limits at the product or product group level as well as at the country level are periodically subjected to monitoring.

Reporting: The overview of current changes in the risk structure of the loan portfolios and the results of detailed risk analyses are a part of the periodic reporting to the Management Board and/or the responsible committees of ING-DiBa and ING. In addition, the Management Board and managers of the relevant divisions receive information on the development of risk structures of the loan portfolios on a monthly basis as well as when otherwise deemed necessary. Reports to the decision-makers also include measures and recommendations for dealing with credit risks.

The monthly credit risk reporting is supplemented with the quarterly credit risk report in accordance with MaRisk provided to the overall Management Board and the credit committee of the Supervisory Board.

Loan portfolio

Unless otherwise noted, all quantitative data referenced below in the risk report is based on nominal values in the same way as ING-DiBa's management reporting.

Please refer to the section entitled "Additional disclosures under IFRS 7" regarding the reconciliation of the nominal values to the carrying amounts.

Structural risk profile

The focus in the core Retail Banking segment lies in particular on the mortgage business. Mortgage loans are available with interest rate commitment periods of five, ten, and 15 years. Only property serving as capital that is exclusively used for residential purposes in Germany can be financed. The mortgage loans are focused on the standardized retail business with a total commitment of up to EUR 1.5 million. This ensures a high granularity within the mortgage portfolio. The Bank offers consumer loans as additional retail loan products in the form of installment and special-rate loans as well as lines of credit (revolving credit lines). In addition, the Bank's range of products in the retail lending business also includes overdraft facilities on current accounts.

In 2011, new business for mortgage loans was once again favorable. The committed volume was around EUR 8.4 billion (previous year: EUR 8.0 billion). Overall, the risk profile of new business remained at the previous year's very positive level. ING-DiBa's existing mortgage portfolio also showed a high degree of stability without structural changes in the risk profile over the course of the year.

Demand for ING-DiBa's consumer loans remained high over the course of the year, supported by a friendly consumer climate. The newly committed loan volume rose year-on-year by 38 percent and was around EUR 1.1 billion at the end of the year (previous year: EUR 0.8 billion). In the area of current accounts, 2011 was also characterized by greater demand.

The loan business in the Commercial Banking segment mostly encompasses the financing and provision of tailored financing solutions for reputable German corporate customers and their foreign and domestic subsidiaries. The focus lies in particular on large corporates with sound creditworthiness. In addition to traditional loan products for the financing of investments and working capital, the product range also includes the hedging of customers' payment risks in transactions with selected foreign banks. Individual credit solutions in the area of long-term export financing form another point of focus, whereby ING-DiBa strives

for the most effective coverage of the financing package possible through government export credit insurance in order to cover the associated economic and political risks.

The new business in the Commercial Banking segment concentrated on customers with investment grade ratings in accordance with the selective approach of entering into loan transactions.

ING-DiBa's investment policy in the institutional business strives primarily for security and liquidity. Pursuing this objective, the Bank is restrictive when establishing the spectrum of permissible transactions and the credit criteria for counterparties, issuers or issues and does not enter into any trading book positions. The investment focus lies on interest-bearing bonds of German development banks as well as in collateralized (i.e., covered) bonds. In light of the persistent turbulence on the international financial markets, the Bank consciously decided in the fiscal year to make greater use of the attractive investment opportunities within the Group within the scope of asset/liability management. Intra-Group investments primarily consist of fully collateralized RMBS securitizations of ING Bank, selected based on top-rated asset pools. The sound risk profile is reflected in a Aaa rating. This decision was made against the background of high quality assets and regular access to data (including at the level of the individual accounts), which enable ING-DiBa to form a comprehensive view of the quality of the investments on a regular basis. Geographically, the institutional business focuses on selected countries of the European Union, with Germany at 36.8 percent (previous year: 43.8 percent) and the Netherlands at 26.1 percent (previous year: 11.2 percent) comprising the main share. In light of the debt crisis in Europe, ING-DiBa is careful to avoid exposures in critical countries and to systematically reduce existing exposures. Direct exposure to Greece, Spain, Italy, and Hungary, including municipalities in these countries, was reduced in nominal terms by 62 percent to less than EUR 0.6 billion. There are no corresponding exposures in Portugal or Ireland.

In addition to the repo business with selected financial institutions, ING-DiBa is active on the money market providing short-term lendings to German municipalities and municipal enterprises.

In order to ensure that the investment portfolio has a low-risk structure, the product catalog for the institutional business does not provide for any investments in shares or credit derivatives. Derivative financial instruments are used primarily to manage duration. New lines for counterparties and/or issues are only granted if they have a rating of at least A3/A-/A-(Moody's, Standard & Poor's, Fitch). The lowest of all available ratings applies. The entire institutional portfolio exhibits a very positive risk structure with around 82 percent comprising AAA/AA-rated exposures as of the end of the year (previous year: 71 percent).

Industry structure of the loan portfolio

The overviews below present the composition of the loan portfolio broken down by sectors. The presentation in all tables of the risk report is based on nominal values unless otherwise indicated and includes contingent liabilities entered into in the Commercial Banking segment. The disclosures for the retail business are based on the main loan business (mortgage loans, installment loans, line of credit, current accounts) in Germany. Since the Austrian branch's only retail loan product is selectively offered installment loans, the lending business of the Austrian branch is classified as irrelevant. The Austria branch's installment loan portfolio comprised EUR 83.1 million in receivables as of December 31, 2011 (previous year: EUR 70.7 million). In addition, ING-DiBa has a gradually decreasing amount of legacy mortgage loans to legal entities amounting to EUR 14.2 million at the end of 2011 (previous year: EUR 16.6 million). Given the inactive business operations of this segment and the immateriality, this portfolio is not at the center of focus of management decisions, and is not classified as risk-relevant.

Distribution of the overall portfolio according to sector (distribution based on percent)

	Retail		Institutiona	l	Commercial Banking		Total	
%	2011	2010	2011	2010	2011	2010	2011	2010
Retail Customers	100.0	100.0	0.0	0.0	0.0	0.0	58.4	59.9
Pfandbriefe/ Covered Securities ¹	0.0	0.0	32.7	33.9	0.0	0.0	12.5	13.6
Governments / Local Authorities	0.0	0.0	32.4	35.1	0.0	0.0	12.4	14.1
Banks / Financial								
(unsecured)	0.0	0.0	1.3	1.8	0.0	0.0	0.5	0.7
ABS / MBS ²	0.0	0.0	25.6	10.0	0.0	0.0	9.8	4.0
Repos	0.0	0.0	4.4	11.4	0.0	0.0	1.7	4.6
Corporate Lending	0.0	0.0	0.0	0.0	56.4	0.0	1.9	0.0
Structured Finance	0.0	0.0	0.0	0.0	36.6	0.0	1.2	0.0
Intercompany (ING)	0.0	0.0	3.6	7.8	7.0	0.0	1.6	3.1
Total	100.0	100.0	100.0	100.0	100.0	0.0	100.0	100.0

Distribution of the overall portfolio according to sector (nominal values)

	Retail		Institutional		Commercial	Banking	Total		
€ m	2011	2010	2011	2010	2011	2010	2011	2010	
Retail Customers	59,393.1	53,870.3	0.0	0.0	0.0	0.0	59,393.1	53,870.3	
Pfandbriefe/ Covered Securities ¹	0.0	0.0	12,763.6	12,212.9	0.0	0.0	12,763.6	12,212.9	
Governments / Local Authorities	0.0	0.0	12,639.7	12,651.9	0.0	0.0	12,639.7	12,651.9	
Banks / Financial Institutions									
(unsecured)	0.0	0.0	495.0	647.0	0.0	0.0	495.0	647.0	
ABS / MBS ²	0.0	0.0	10,012.2	3,619.9	0.0	0.0	10,012.2	3,619.9	
Repos	0.0	0.0	1,701.8	4,108.5	0.0	0.0	1,701.8	4,108.5	
Corporate Lending	0.0	0.0	0.0	0.0	1,896.3	0.0	1,896.3	0.0	
Structured Finance	0.0	0.0	0.0	0.0	1,233.2	0.0	1,233.2	0.0	
Intercompany (ING)	0.0	0.0	1,409.2	2,798.8	234.3	0.0	1,643.5	2,798.8	
Total	59,393.1	53,870.3	39,021.6	36,039.0	3,363.8	0.0	101,778.5	89,909.3	

Overed securities include covered bonds such as Pfandbriefe, cédulas, etc., as well as securities covered by government guarantees.

Regional division of the loan portfolio

The Bank is exposed to country risks as part of its investment business on the money and capital markets as well as through the ING Bank branch's business activities. The retail lending business is not exposed to country risk, since according to the strategic focus, loans are only granted to borrowers residing in Germany. The regional distribution of ING-DiBa's loan portfolio is as follows:

Risk concentration by geographic area¹

	2011	2011	2010	2010
	€ m	%	€m	%
Germany	75,254.1	73.9	69,671.4	77.5
EMU	21,092.9	20.7	17,502.4	19.5
Other EU	2,410.7	2.4	1,893.0	2.1
Non-EU	3,020.8	3.0	842.5	0.9
Total	101,778.5	100.0	89,909.3	100.0

¹⁾ Presentation based on nominal values, including contingent liabilities entered into in the Commercial Banking segment.

²⁾ ABS/MBS also include intra-Group securitizations in the amount of EUR 8.0 billion.

A total of 73.9 percent of the loan portfolio can be attributed to exposures in the domestic market Germany (previous year: 77.5 percent). An additional 20.7 percent of the overall loan portfolio comprises receivables from debtors within the Economic and Monetary Union of the European Union (EMU) as of the end of 2011 (previous year: 19.5 percent). Receivables from borrowers in the Netherlands make up the largest share of this loan portfolio at 10.1 percent (previous year: 4.5 percent). Exposures in the so-called European periphery countries, including Hungary, constitute 4.3 percent of the loan portfolio as of December 31, 2011 (previous year: 7.5 percent). The Bank's exposure in Spain was reduced over the course of 2011 from EUR 4.7 billion to EUR 3.4 billion as of December 31, 2011, and consists mainly of covered securities in the amount of EUR 2.4 billion (previous year: EUR 3.4 billion) and securitizations in the amount of EUR 0.8 billion (previous year: EUR 0.9 billion) as of the last day of the year. The total volume was also reduced significantly in Italy from EUR 1.5 billion to EUR 0.5 billion. The total exposure in the remaining periphery countries Greece, Ireland, Portugal, and Hungary decreased by EUR 37 million to less than EUR 0.5 billion or 0.5 percent of the loan portfolio compared to the previous year (previous year: 0.6 percent).

Developments in the countries impacted by the debt crisis are very closely monitored and are reported to the Management Board and risk committees on an ongoing basis. The Bank also established special country limits to limit risk in these countries.

The increase in exposures in countries outside the European Union results from the integration of the Commercial Banking segment. These exposures are mainly transactions in the area of structured export finance that are covered by government export credit insurance (e.g. Hermes coverage).

Credit quality structure of the loan portfolio

For purposes of risk management, the Bank routinely relies on the internal rating used for the capital adequacy requirement. This is based on the issuer rather than the issue rating. Only in the institutional lending business in the area of ABS/MBS investments is the internal rating derived from the external issue rating of the tranche.

Within the ING Group, all internal ratings are depicted on a uniform master scale that assigns every ratings result a risk class or a certain probability of default. The rating classes of 1 to 22 are based on the classification by the rating agency Standard & Poor's, whereby the exposures of the risk classes 1 to 7 are to be regarded as exposures with low risk. The risk classes 8 to 13 are categorized as intermediate risk; risk is high starting with risk class 14.

The distributions of the credit risk-bearing portfolios over the individual risk classes of the ING master scale provide information about the credit quality structure and thus about the credit quality of the overall portfolio and show ING-DiBa's conservative orientation across all business segments.

Credit quality of financial instruments in the retail business that are neither delinquent nor impaired 1

	Mortgage Loans	s	Other Retail Lo	ans	Total		
€m	2011	2010	2011	2010	2011	2010	
Low Risk	13,850.0	14,125.3	349.4	73.0	14,199.4	14,198.3	
Medium Risk	40,632.5	35,459.2	2,496.0	2,427.2	43,128.5	37,886.4	
High Risk	860.4	996.8	242.4	133.2	1,102.8	1,130.0	
Total	55,342.9	50,581.3	3,087.8	2,633.4	58,430.7	53,214.7	

¹⁾ Rating distribution based on internal credit risk classification in terms of the default probability without taking into account any collateral

Credit quality of financial instruments in the institutional business that are neither delinquent nor impaired $^{\rm 1,\,2}$

	Uncovered Securities		Covered Securities		ABS / MBS		Repos / Lending		Short-term lending to municipalities		Total	
€m	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Low Risk	11,919.7	15,435.3	10,364.6	5,736.9	9,972.8	3,619.9	1,707.8	4,129.5	1,334.4	2,428.4	35,299.3	31,350.0
Medium Risk	448.9	917.0	2,399.0	2,712.0	39.4	0.0	655.0	1,030.0	0.0	0.0	3,542.3	4,659.0
High Risk	0.0	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0
Total	12,368.6	16,382.3	12,763.6	8,448.9	10,012.2	3,619.9	2,362.8	5,159.5	1,334.4	2,428.4	38,841.6	36,039.0

¹⁾ Rating distribution based on internal credit risk classification in terms of the default probability without taking into account any collateral

²⁾ Covered securities include covered bonds such as Pfandbriefe, cédulas, etc., as well as securities covered by government

Credit quality of financial instruments in the Commercial Banking segment that are neither delinquent nor impaired 1, 2, 3

	Corporate Lenc	ling	Structured Fina	ince	Total		
€m	2011	2010	2011	2010	2011	2010	
Low Risk	390.5	0.0	0.6	0.0	391.1	0.0	
Medium Risk	1,643.3	0.0	1,213.1	0.0	2,856.4	0.0	
High Risk	91.6	0.0	11.9	0.0	103.5	0.0	
Total	2,125.4	0.0	1,225.6	0.0	3,351.0	0.0	

¹⁾ Rating distribution based on internal credit risk classification in terms of the default probability without taking into account any collateral

Securitization

With its ABS/MBS portfolio for the core business Retail Banking, the Bank holds comparable assets from other markets in order to further diversify the investment portfolio (credit substitution business). As of December 31, 2011, the share of the ABS/MBS portfolio was 10 percent of the overall loan portfolio and 26 percent of the institutional loan portfolio. The very conservative orientation in this segment is reflected in the large share of AAA/AA-rated investments of around 97 percent. Overall, investments in RMBS have the highest share (around 94 percent); in addition, the Bank holds partially government guaranteed positions in ABS consumer loans (without credit card receivables) and auto ABS. The ABS/MBS portfolio only includes one CMBS investment whose share of 0.08 percent of the ABS/MBS portfolio is immaterial.

The volume of the securitization portfolio increased significantly in 2011 compared to the previous year and amounted to around EUR 10 billion on the last day of the year (previous year: EUR 3.6 billion), boosted by intra-Group investments in the amount of EUR 8.0 billion in the form of top-rated, fully collateralized RMBS. Excluding intra-Group investments, the ABS/MBS portfolio decreased by 24.3 percent over the course of the year.

²⁾ Presentation based on nominal values, including contingent liabilities entered into in the Commercial Banking segment.

³⁾ Corporate lending also includes receivables from companies of the ING Group.

Securitization portfolio broken down by rating

	ABS		ABS		MBS		MBS		Total		Total	
	2011	2011	2010	2010	2011	2011	2010	2010	2011	2011	2010	2010
	€m	%	€m	%	€m	%	€m	%	€m	%	€m	%
Low Risk	552.1	5.5	731.0	20.2	9,420.7	94.1	2,888.9	79.8	9,972.8	99.6	3,619.8	100.0
Medium Risk	0.0	0.0	0.0	0.0	39.4	0.4	0.0	0.0	39.4	0.4	0.0	0.0
High Risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	552.1	5.5	731.0	20.2	9,460.1	94.5	2,888.9	79.8	10,012.2	100.0	3,619.9	100.0

Securitization portfolio by country

At around 94 percent, the geographical focus of the securitization portfolio lies on European issues (previous year: 82 percent). Considering the intra-Group Investments, the Netherlands represents the largest share at around 80 percent, (previous year: 28 percent). The Bank was able to actively further reduce the share of ABS/MBS investments in the periphery countries over the course of the year.

	ABS		ABS		MBS	MBS		MBS		Total		
	2011	2011	2010	2010	2011	2011	2010	2010	2011	2011	2010	2010
	€ m	%	€m	%	€ m	%	€m	%	€ m	%	€m	%
Germany	0.0	0.0	21.8	3.0	0.0	0.0	0.0	0.0	0.0	0.0	21.8	0.6
EMU	92.6	16.8	235.2	32.2	9,114.2	96.3	2,364.3	81.8	9,206.8	92.0	2,599.5	71.8
Other EU	4.2	0.8	5.7	0.8	217.9	2.3	345.4	12.0	222.1	2.2	351.1	9.7
Non-EU	455.3	82.4	468.3	64.0	128.0	1.4	179.2	6.2	583.3	5.8	647.5	17.9
Total	552.1	100.0	731.0	100.0	9,460.1	100.0	2,888.9	100.0	10,012.2	100.0	3,619.9	100.0

In 2008, the Bank issued a RMBS securitization for which it also acted as investor. Accordingly, the transaction is not included in the securitization portfolio. This was a securitization of private mortgages from the ING-DiBa portfolio with a volume of EUR 4.7 billion. The securities issued by the special purpose entity were repurchased in full. This transaction was intentionally executed in this form in order to meet the goal of an additional liquidity buffer of ECB-eligible securities. A potential risk transfer is not the focus of this transaction.

Delinquent loan volume and problem loans

ING-DiBa monitors the overall loan portfolio regularly with regard to delinquencies and arrears. An obligation is generally defined as "delinquent" if the agreed interest and capital repayment is more than one day overdue. If this is the case, the regular dunning process is initiated. In the event of delinquencies of over 90 days, the loans are considered defaulted in terms of the requirements of Basel II/SolvV. The regulatory definition of default serves to distinguish the current portfolio from the default portfolio. Exposures that meet the SolvV criteria for unlikeliness to pay are also considered defaulted. The Bank defines defaulted exposures with a receivable volume of more than EUR 1 million as problem loans.

The tables below show the credit quality of the outstanding receivables as of the indicated reporting date with their nominal values, including contingent liabilities entered into in the Commercial Banking segment.

Credit quality outstanding loans¹

	Mortgage Loan	s	Other Retail Lo	ans	Total Retail Portfolio		
€m	2011	2010	2011	2010	2011	2010	
Neither delinquent							
nor impaired	55,342.9	50,136.3	3,087.8	2,612.2	58,430.7	52,748.5	
Delinquent but not impaired	258.1	445.0	22.1	21.2	280.2	466.2	
Impaired	568.7	541.6	113.5	114.0	682.2	655.6	
Total	56,169.7	51,122.9	3,223.4	2,747.4	59,393.1	53,870.3	

	Institutional Portfolio		Commercial Banking		Total		
€m	2011	2010	2011	2010	2011	2010	
Neither delinquent							
nor impaired	38,841.6	36,039.0	3,351.0	0.0	100,623.3	88,787.5	
Delinquent but not impaired	0.0	0.0	0.0	0.0	280.2	466.2	
Impaired	180.0	0.0	12.8	0.0	875.0	655.6	
Total	39,021.6	36,039.0	3,363.8	0.0	101,778.5	89,909.3	

 $^{^{1)}\ \}mbox{The impaired exposures shown are presented in nominal values.}$

The Bank recognized a portfolio-based impairment allowance for all receivables that are neither delinquent nor impaired or delinquent but not impaired.

Impairment allowances were recognized in the amount of EUR 274.7 million in 2011 (previous year: EUR 250.1 million) for mortgage loans presented as impaired in the amount of EUR 568.7 million (previous year: EUR 541.6 million). The loan loss provision for the remaining retail loans classified as impaired in the amount of EUR 113.5 million (previous year: EUR 114.0 million) amounts to EUR 90.3 million (previous year: EUR 91.4 million). As in the previous year, there were no problem loans in the retail lending business in 2011.

The commercial banking loan portfolio includes receivables and contingent liabilities in the amount of EUR 3.4 billion that are neither delinquent nor impaired as of the last day of 2011. There are no delinquent receivables that are not impaired. The impaired exposures in the commercial banking loan portfolio in the amount of EUR 12.8 million are partially collateralized receivables for whose risk share ING-DiBa has recognized specific impairment allowances of EUR 5.4 million. A loan loss reserve was recognized in the form of provisions for risks arising from contingent liabilities.

The current institutional loan portfolio comprises EUR 38.8 billion as of December 31, 2011 (previous year: EUR 36.0 billion). As in the previous year, there are no delinquent loans that are not impaired in the institutional lending business as of the last day of 2011.

Against the background of participation on the part of private investors in the restructuring of Greece's debt, ING-DiBa recognized an impairment allowance of EUR 0.14 billion as of December 31, 2011, on its investment in Greek government bonds in the nominal amount of EUR 0.18 billion. This corresponds to a write-down to the fair value of the securities as of December 31, 2011. ING-DiBa does currently not see any further need for impairment allowances in the institutional loan portfolio.

Aging analysis (delinquent but not impaired): Outstanding receivables¹

	Mortgage Loans		Other Retail Loans		Total	
€m	2011	2010	2011	2010	2011	2010
Delinquent 1 – 29 days	21.6	58.7	4.8	9.1	26.4	67.8
Delinquent 30 – 59 days	186.3	321.8	14.3	9.6	200.6	331.4
Delinquent 60 – 89 days	50.2	64.5	3.0	2.5	53.2	67.0
Total	258.1	445.0	22.1	21.2	280.2	466.2

¹⁾ There are no delinquent receivables in the commercial banking and institutional business that are not impaired.

The year-on-year decrease in outstanding retail receivables can be attributed to an adjustment in the internal process for the management of delinquent receivables. Taking this adjustment into account, the ratio of delinquent receivables to the overall retail mortgage portfolio (0.5 percent) remains at the same level as in the previous year. As with the current portfolio, no significant concentration of any specific type of credit was observed in the delinquent portfolio segment.

Risk provision

The loan loss provisions in the lending business include portfolio-based impairment allowances and specific impairment allowances. The need for risk provisions is calculated quarterly and approved by the overall Management Board.

Development of the risk provision under IFRS

	2011 € m	2010 € m
Opening balance	- 473	- 396
Merger / changes in the Group structure	- 21	0
Utilization of existing allowance	82	46
Additions to / reversals of risk provision	- 80	- 123
Other changes	-1	0
Closing balance	- 493	- 473

As in previous years, the largest amount of risk provisions occurs in mortgage lending. In 2011, risk provisions and the risk costs (annual additions through profit or loss) were within budgeted expectations.

Monitoring and management of operational risks

Risk definition

Operational risk is defined as the risk of financial loss through external influence (criminal acts, natural disasters, etc.) or through internal factors (e.g. failure of IT systems, fraud, human error, faulty processes, structural weaknesses, insufficient monitoring).

At ING-DiBa, operational risk also includes legal risks that result from contractual arrangements or general legal conditions.

Organization

The Risk Management department is responsible for coordinating all activities with regard to management of the operational risk. Its duties essentially include the methodical specifications for identifying, quantifying and managing operational risks and adequate risk reporting to the ORC as well as on a quarterly basis to ING within the framework of the Non-Financial Risk Dashboard (NFRD). In this function, the Risk Management department works closely with the respective relevant divisions or functional and staff departments.

Management of operational risks also includes ensuring compliance with requirements of the Sarbanes-Oxley Act (SOX 404) and fraud prevention.

Contact persons for SOX and fraud are appointed within the department for this purpose.

The topic of outsourcing services is handled comprehensively in a separate guideline. A risk analysis is carried out for outsourcing within the Group.

Operational risk strategy

Operational risk management is aimed at identifying, analyzing and assessing all of the Bank's material risks based on a comprehensive and integrated approach. Acceptable and unacceptable risks are differentiated. Risk mitigation strategies must be developed for the unacceptable risks and derived measures implemented in order to reduce the risks to an acceptable level. This ensures that the total of all risks is always covered by the risk-taking capital allocated for this risk type in accordance with the Risk-bearing Capacity Plan and the Bank's continued existence is ensured.

Operational risk management and risk controlling

Management of the operational risks is based on the Basel II qualitative requirements, compliance with legal or regulatory provisions and the directives established within the Group and is aimed at ensuring a high level of information security.

Incident reporting and integrated risk assessments

Operational risk management includes a company-wide incident reporting system, observation and analysis of key risk indicators (KRI), implementation of integrated risk assessments (IRA) in critical divisions and systematic tracking of requirements resulting from internal or external audits (audit findings tracking).

Information security

The high standards for information security are set forth in detailed IS guidelines. Compliance with these guidelines is continuously monitored by the Risk Management department.

Legal security

To safeguard against legal risks, the Bank generally uses standardized basic or master agreements reviewed by the Legal department.

Business continuity plan

Customized individual contractual arrangements are reviewed by the Legal department.

ING-DiBa has a detailed Business Continuity Plan (BCP) for all three sites and its Vienna branch, ING-DiBa Direktbank Austria, which are integrated in a comprehensive Business Continuity Management (BCM) plan.

This plan includes detailed communications plans, instructions, system documentation and codes of conduct, which ensure the maintenance and/or restoration of operations in an emergency (system outage, destruction of an office through fire, natural disasters, terrorist attacks, etc.). The BCM and all of its subparts are subject to regular tests (e.g. evacuation drills, power blackout simulations, testing the notification chain, etc.).

The Risk Management department is also responsible for maintenance and lifecycle management of the BCM. The BCP was updated as scheduled during the year under review. The updated plans were subsequently tested and checked for their further applicability.

Risk management at the portfolio level

The Bank manages operational risk at the portfolio level by setting limits under the Risk-bearing Capacity Plan. The economic capital requirement is determined using the Advanced Measurement Approach (AMA) in accordance with Basel II/SolvV. This risk model was centrally developed by ING.

The Bank is in involved the process of determining the regulatory capital charge and the allocation required for ING-DiBa's operational risk.

In a first step, the overall risk is scaled at the ING Group level. In a second step, the risk is allocated to the Bank proportionally based on its relative size.

In the AMA model, the capital amount required for operational risks is determined using a seven step process. The starting point is an external incident database (Fitch/Algo Op-Data). This database includes data from the ING Group as well as losses of other companies. After reviewing the recorded losses for specific relevancy with regard to the business transaction and the operational risk affected for ING, losses are classified into models and adjusted for inflation. Scaling according to size drivers (e.g. total assets) is conducted on the basis of this. Capital is determined using a normal distribution with a confidence level of 99.9 percent and allocated to ING-DiBa based on its relative size (internal size drivers). The minimum capital requirement calculated in this way can be influenced by ING-DiBa on the basis of a bonus malus system through the quality of the internal control system.

This model is currently undergoing a thorough revision. The previous external loss data collection is being replaced by the more comprehensive data collection of the Operational Riskdata eXchange Association (ORX). Values from historical internal loss data and risk costs that are calculated from scenario analyses as well as from risk self-assessments will be included in future calculations. The modeling will take place in the future at the level of ING's business lines and will be allocated to the respective business units using capital and risk-relevant metrics. The bonus/malus system is being replaced by the inclusion of internally-collected data. The first-time application of the new model is planned for 2012.

Additional disclosures under IFRS 7

3.7 Additional disclosures under IFRS 7

Maximum default risk for each class of financial instrument

	12/31/2011	12/31/2010
	€ m	€m
Assets from statement of financial position		
Cash reserve	2,783	1,417
Loans and advances to banks		
Payable on demand	3,061	2,197
Other loans and advances	2,730	6,512
Loans and advances to customers		
Mortgage loans	56,586	51,550
Consumer loans	3,320	2,839
Public sector loans and other loans and advances	3,945	5,294
Corporate loans	1,598	0
Asset-backed securities / mortgage-backed securities	9,776	3,485
Risk provision	- 493	- 473
Adjustment to portfolio fair value hedges	2,366	1,665
Derivatives with positive fair value		
Hedging derivatives	237	250
Other derivatives	80	161
Financial investments		
Held-to-maturity	5,643	7,099
Available-for-sale	16,559	13,178
Other assets		
Interest accrued on loans and advances to banks	28	0
Interest accrued on AfS financial investments	301	254
Interest accrued on HtM financial investments	168	214
Interest accrued on receivables (ABS / MBS)	86	6
Interest accrued on hedging derivatives	110	137
Interest accrued on other derivatives	52	108
Other	68	26
Maximum default risk for assets in statement		
of financial position	109,005	95,918
Financial guarantees	623	2
Irrevocable loan commitments	7,246	4,288
Other business	0	30
Maximum default risk	116,874	100,238

Reconciliation of IFRS carrying amounts to risk report

		12/31/2011 IFRS carrying amount	12/31/2011 Risk report nominal	12/31/2010 IFRS carrying amount	12/31/2010 Risk report nominal
		€m	€m	€m	€m
Assets from statement of financial position	Descriptions from risk report				
Cash reserve		2,783		1,417	
Loans and advances to banks		5,791	3,872	8,709	6,481
Payable on demand		3,061		2,197	
	Corporate lending		18		0
Other loans and advances		2,730		6,512	
	Reverse repo		2,363		4,109
	Uncovered securities ¹		724		2,272
	Covered securities ¹		655		100
	Corporate lending		21		0
	Structured finance		91		0
Loans and advances to customers		74,732	75,093	62,694	62,562
Mortgage loans	Mortgage loans	56,586	56,170	51,550	51,123
Consumer loans	Other retail loans	3,320	3,223	2,839	2,747
Public sector loans, other loans and advances		3,945		5,294	
	Short-term lending to municipalities		1,334		2,428
	Uncovered securities ¹		2,582		2,782
	Corporate lending		0		0
	Structured finance		27		0
Corporate loans		1,598		0	
	Corporate lending		937		0
	Structured finance		895		0
Asset-backed securities (ABS) / mortgage-backed securities (MBS)	ABS / MBS	9,776	9,924	3,485	3,482
Risk provision		- 493		- 473	
Adjustment to portfolio fair value hedges		2,366		1,665	
Derivatives with positive fair value		317		411	
Hedging derivatives		237		250	
Other derivatives		80		161	

Continued on next page

Additional disclosures under IFRS 7

continued		12/31/2011 IFRS carrying	12/31/2011 Risk report	12/31/2010 IFRS	12/31/2010 Risk report
		amount	nominal	carrying	nominal
				amount	
		€ m	€m	€m	€m
Assets from statement	Descriptions				
of financial position	from risk report	22.222	24 422	20 277	40.045
Financial investments		22,202	21,439	20,277	19,815
Held-to-maturity		5,643		7,099	
	Uncovered securities ¹		1,090		1,125
	Covered securities ¹		4,646		5,826
	ABS / MBS		88		138
Available-for-sale		16,559		13,178	
	Uncovered securities ¹		8,152		10,203
	Covered securities ¹		7,463		2,523
Other assets		814		745	
Interest accrued on loans and					
advances to banks		28		0	
Interest accrued on AfS financial					
investments		301		254	
Interest accrued on HtM finan- cial investments		168		214	
		108			
Interest accrued on receivables from customers (ABS/MBS)		86		6	
Interest accrued on hedging	-				
derivatives		110		137	
Interest accrued on other					
derivatives		52		108	
Other		68		26	
Maximum default risk for assets in					
statement of financiial position		109,005	100,404	95,918	88,858
Repos/lending ²		0	0	0	1,051
Guarantees and letters of credit		813		0	
	Corporate lending		748		0
	Structured finance		54		0
Financial guarantees		0		0	
	Corporate lending		407		0
	Structured finance		165		0
Total assets		109,819	101,778	95,918	89,909

 $^{^{1\!)}}$ This item includes secured and unsecured loans against borrower's notes.

²⁾ These are securities lending transactions with the ING Group in accordance with IFRS 7.15 not recognized on the statement of financial position. They are reported under collateral held in accordance with IFRS 7.15.

3.8 Internal control system for accounting

Goal of the internal control and risk management system

In preparing the annual financial statements for publication, the highest priority is placed on dependable compliance with the generally accepted accounting principles. In doing so, all regulatory and legal requirements relevant for ING-DiBa must be followed. The internal control and risk management system for accounting (ICS Ac) assists in achieving this objective. Risks arise through misstatements in financial reporting. For this reason, processes in the preparation of financial statements are backed with appropriate controls.

Risks associated with accounting

Because of unintended errors or fraudulent actions, financial statements may suggest a view of the net assets, financial position, and results of operations that does not represent a true and fair view. This is the case when data or disclosures in the notes included in the financial statements differ materially from proper disclosure. Variances are considered material when they can influence economic decisions made on the basis of these financial statements by recipients of the financial statements. Under certain circumstances, these risks are associated with legal sanctions, such as the intervention of banking authorities. In addition to this, investor trust may be unfavorably affected, as can the Bank's reputation. Therefore, the goal of the ICS Ac established by the management of ING-DiBa is avoiding these main risks. Such a system can offer reasonable assurance that errors in financial statements can be avoided to the greatest extent possible. In this regard, however, there is no absolute assurance.

General conditions for ICS Ac

The Bank orients itself on the Minimum Requirements for Risk Management (MaRisk) with its ICS Ac. These set forth the principles for designing the Bank's own internal control system.

In designing the control system, the Bank relies on the framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission, which is intended to help improve the quality of financial reporting through ethical actions, effective internal controls and good management.

Internal control system for accounting

Control objectives for accounting are the

- existence and accuracy of assets and liabilities recognized and transactions reported
- completeness of transactions and account balances reported in the financial statements
- measurement at the applicable values for assets, liabilities and transactions
- consideration only in the case of existing beneficial ownership
- presentation and reporting in accordance with statutory requirements
- protection of assets

The principles of efficiency were considered in establishing the ICS Ac. Specifically, this means that the benefits of controls on one hand and the cost aspect on the other hand were balanced responsibly. As with all processes and systems, by nature, absolute assurance cannot be guaranteed for the identification and avoidance of errors in accounting despite the greatest care.

Organization of the ICS Ac

In addition to the single-entity financial statements in accordance with HGB (Handelsge-setzbuch, "HGB"), ING-DiBa also prepares consolidated financial statements in accordance with IFRS. In doing so, the Bank takes into account the applicable commercial laws and German Accounting Standards (GAS). The Bank manages the Group using a management accounting system based on the IFRS figures. The overall Management Board is responsible for the organization and improvement of the ICS Ac. The Accounting department is responsible for the application of proper accounting in all financial statements in accordance with national and international accounting standards. The Accounting department also carries out the reconciliation of funds for customer securities transactions.

International Accounting is responsible for reporting to the ING Group and preparing ING-DiBa consolidated financial statements including all financial information (IFRS notes). The separate financial statements for the companies are aggregated, and the necessary consolidation steps are executed. Intra-Group transactions are eliminated and the proper implementation and approval of adjusting processes is monitored.

Certain activities in connection with accounting are conducted in other functions and departments:

- Risk Management calculates the risk provision for counterparty default risk in the lending business. It provides relevant information on the counterparty default risk for the risk report. Operational Risk Management assesses operational risk within the scope of the Advanced Measurement Approach (AMA) in accordance with Basel II. Market & Liquidity Risk Management provides important information for market risk (interest rate risk) and liquidity risk for presentation in the risk report.
- Controlling is responsible for the analysis of the operating result from a management accounting perspective, based on the IFRS figures. Treasury is responsible for asset liability management with respect to liquidity management. All proprietary trading transactions falling under the scope of the MaRisk are processed and monitored by the Total Quality Management department. The Personnel department provides data necessary for calculating provisions for pensions and other personnel-related provisions.
- The Legal department manages pending litigation and determines the claim value for calculating provisions for the statement of financial position. Corporate Communications provides certain information for the consolidated financial statements and coordinates the preparation and design of financial reports.

The Supervisory Board's Audit Committee is responsible for receiving and processing complaints from employees, shareholders and third parties. Complaints about accounting and other accounting-related issues can be submitted anonymously. In this way, employees are given the opportunity to report violations of internal guidelines without the fear of repercussions. Consequently, the whistleblower principle applies here.

The ICS Ac includes many internal controls and processes intended to minimize the risk of errors in the financial statements. The processes and tasks, authorities, responsibilities, controls and communication channels associated with these are clearly defined and coordinated.

The framework for the ICS Ac is documented in the Bank's organizational handbook. This handbook also contains the guidelines and work directives for the entire company. These are also accessible via the intranet. The guidelines and work directives are regularly reviewed for accuracy and currentness. Likewise, the controls for compliance with the internal set of regulations and requirements for the segregation of functions are reviewed on a regular basis.

Uniform work directives and guidelines exist for ING-DiBa's Accounting department. In addition, exact job descriptions and authorizations exist for the individual activities. The question of adequate substitutes in the event of employee absences is also addressed. Detailed accounting requirements ensure proper accounting for business transactions. In addition, ING-DiBa's IFRS

Internal control system for accounting

accounting is aligned with the ING Group accounting manual for exercising options. Detailed schedules are published during the preparation of the annual financial statements. Changes to the accounting guidelines are communicated in a timely manner. Specialized training prepares the employees for upcoming changes in national and international accounting.

Business transactions are recorded centrally by Accounting and also decentrally in the functional departments. Entries are made in accordance with the principle of dual control. In addition, ING-DiBa conducts system-integrated, automatic controls in the form of control sums, check digits or plausibility checks. Many controls and reconciliations are carried out in accounting in order to ensure the accuracy and consistency of the different data sources with the general ledger, the national accounting, reporting and Group accounting.

The process of issuing and administering user access is automated and centrally organized. Applications for access are collected electronically by the system in the functional departments and released by the respective manager after review.

The IT department is responsible for the technical access calibration and administration. For accounting, there are different access profiles. In this way, tiered read and write access can be granted for the systems and subsystems needed for accounting.

Internal audit supports the Management Board by assessing the ICS Ac and providing recommendations. In this way, it contributes to ensuring the propriety of accounting.

3.9 Branches

Austrian Branch

General economic conditions in Austria

ING-DiBa AG has a branch in Vienna, ING-DiBa Direktbank Austria, serving the entire Austrian market. After the crisis in 2009 brought about a real decline in GDP by 3.8 percent, the Austrian economy recorded a clear recovery both in 2010 with a real increase of 2.3 percent as well as in 2011 with an expected real increase of 3.3 percent.

Whereas the Austrian economic research institute WIFO considers 2011 an "excellent year" for the domestic economy, the forecast for 2012 appears lackluster with economic growth of 0.4 percent. However, in light of the stagnating euro zone, economic researchers expect a sustained "Austria bonus": In 2012, Austria will also grow more robustly than the average of Western European countries – for the tenth time in a row.

The reason for the expected dip in growth, according to economic researchers, is that the sovereign debt crisis has meanwhile reached the real economy, investment activity has slowed, and consumers have also lost their appetite for spending. For 2013, the WIFO expects economic growth of 1.6 percent for Austria thanks to correspondingly expected momentum from emerging markets, assuming the crisis does not worsen.

The unemployment rate was around 4.1 percent in Austria in autumn 2011 and thus far below the average of 10.3 percent in the euro area (Eurostat, October 2011). With an annual rate of inflation of 3.6 percent for November 2011, the country tops the list of all member states of the Economic and Monetary Union of the European Union and also exceeded the European average for annual inflation for the third time in a row.

The industry environment in Austria

The banking industry in Austria experienced some turbulence over the course of the 2011 reporting period. Of three participating large banks, two passed the EBA's first stress test with satisfactory results, while one institution was certified as requiring action. In the course of overcoming the debt crisis, the EBA calculated the additional need for core tier 1 capital in December 2011 for Erste Group Bank AG, Raiffeisen Central Bank Austria AG, and Oesterreichische Volksbank AG at a total of EUR 3.9 billion by the end of June 2012 in order to then reach the required core tier 1 capital ratio of nine percent.

Like Germany, the number of bank branches in Austria also seems to be higher than average. According to statistics from the Oesterreichische Nationalbank, there is one bank branch to every 2,000 residents. Their high level of involvement in Central and Eastern Europe, particularly neighboring, crisis-plagued Hungary, is a burden to the major banks of this country. ING-DiBa Austria, in contrast, concentrates only on the domestic retail business.

ING-DiBa Direktbank Austria business performance

ING-DiBa Direktbank Austria concentrates on savings products; in addition, its product range also includes investments in investment funds and the lending business. ING-DiBa Direktbank Austria does not offer mortgage loans and current accounts.

Under the management of CEO Roel Huisman and CFO Thomas Geis, the institution's number of customers as of the reporting date rose year-on-year from around 471 thousand customers to 492 thousand. The portfolio volume of customer deposits increased even more clearly by 6 percent from EUR 6.3 billion as of December 31, 2010, to EUR 6.7 billion as of December 31, 2011. This can be considered an indicator that, under the effects of the financial market crisis, customers were also searching for stable investment opportunities in 2011, and placed their trust in ING-DiBa Direktbank Austria as Austria's leading direct bank.

3.9 Branches

Following the positive experiences in Germany, ING-DiBa Austria focused more intensely on the lending business in the reporting period – with a modernized range of lending products expanded by fixed interest offers and variable payouts. The introduction of mobile banking with apps for all popular smartphones, promotional actions in the federal states, and the launch of the information portal "Gut mit Geld" helped increase the Bank's already positive image.

ING-DiBa Austria also continued its established cooperation in advertising with Niki Lauda in 2011. Quite well known among Austrian consumers by now, the motto of the television commercials, "Because I haven't a cent to waste", shows Niki Lauda owning up to his thrifty ways with humor and charm.

Commercial Banking

The new branch's business lines mainly include corporate lending, export financing, commercial real estate financing, payment transactions, and access to financial markets. The customer structure is made up exclusively of commercial and institutional customers.

Commercial Banking is well-positioned internationally and takes leading positions in Eastern Europe and the Benelux countries.

The commercial banking business of the former German branch of ING Bank N.V., Amsterdam, was taken over with the goal of bundling the strong ING-DiBa retail brand and the corporate customer business under a single German roof. Correspondingly, the European presence of the ING Group will be built up into an international bridgehead for customer activities in Central and Eastern Europe by expanding the corporate customer business in the key market Germany.

For this purpose, ING-DiBa AG is focusing on solid growth by taking advantage of the market opportunities arising from the consolidation of commercial banks and the refinancing challenges faced by the central savings banks (Landesbanken).

The individual business lines performed as follows in 2011:

In the lending business, Commercial Banking established itself as a strong partner of the German economy. As of December 31, 2011, loans and advances to banks amounted to EUR 0.2 billion and loans and advances to customers EUR 1.6 billion.

The other business lines Financial Markets, Transaction Services, International Business Clients, and Payment Transactions also performed well in 2011 and exhibited positive growth rates.

3.10 Report on Opportunities and Expected Developments

The uncertainty regarding how the European debt crisis will further develop makes it extraordinarily difficult to make an economic forecast for 2012. Admittedly, economists agree in their estimate that a significant decline in economic growth is to be expected. Experts expect a "soft landing" if the debt crisis does not continue to deepen in the coming months and the implemented restructuring measures reassure the markets. In its report presented in the fall of 2011, the German Council of Economic Experts assumes GDP growth of 0.8 percent in Germany and even a small further reduction in the unemployment rate. The economic research institute (Wifo) expects growth of 0.8 percent for Austria. Other forecasts are more pessimistic and regard even stagnation as well as a decrease in GDP on at least a quarterly basis as probable.

Nevertheless, the expected economic development in Germany and Austria should turn out considerably better than in other member states of the Economic and Monetary Union of the European Union. For instance, the OECD only expects GDP growth of 0.3 percent for the euro zone in 2012.

The European Commission expressed a rather pessimistic opinion in an economic forecast presented in November 2011 by the European Commissioner for Economic and Financial Affairs, Olli Rehn. According to his report, there is a risk of a renewed recession, because the slowing real economy, the unstable public-sector finances, and the vulnerable financial sector are stuck in a vicious downward spiral. In light of the uncertain economic situation, many companies in the euro zone have withheld planned investments for the time being. In addition, the European Commission warned of a new credit crunch.

Above all two factors of uncertainty are weighing heavily on all economic forecasts:

The European debt crisis: If more countries are directly infected by the crisis, if large countries such as Italy spin out of control, if other countries in addition to France lose their top credit rating, and if the massive austerity measures implemented in the crisis countries lead to a deep recession with severe social unrest, then the forecasts published at the end of 2011 could prove to be too optimistic. In contrast, if the markets calm down, economic growth in the third and fourth quarters of 2012 could once again gain momentum.

Uncertainty factor China: Strong demand from the Middle Kingdom contributed significantly toward the surprising recovery of the global economy – and in particular the German economy – after the financial crisis of 2007 to 2009. Chinese growth weakened at a high level in the second half of the reporting period. At the same time, significant credit risks were identified for banks – in particular the country's "shadow banks".

Report on Opportunities and Expected Developments

The German industrial sector has recorded an increase in incoming orders with improving earnings quality since mid-2010. Positive cash flow effects, including from implemented cost-saving measures, frequently led to a reduction in financial liabilities and/or the consolidation of liquidity positions. In addition, many companies took advantage of the favorable environment on the capital markets to issue new bonds.

The interest rate level can be expected to remain low against the background of the slow-down in economic activity to be expected at least for the short to medium term. A note-worthy decrease in consumer spending in 2012 appears unlikely in light of the continued positive employment situation. Solid growth is still expected in the retail business for 2012.

Overall, ING-DiBa has prepared itself for a difficult economic environment in 2012; nevertheless, we remain optimistic that we will be able to further expand our position as one of the largest German savings banks (Sparbanken) and once again increase our business volume.

In the Retail Customer Assets segment, ING-DiBa expects sustained high demand for stable savings products. The financial institution would like to once again generate noteworthy growth in 2012 with its well-established call deposit and fixed term deposit accounts.

Despite the sharp volatility on the financial markets in past months, ING-DiBa expects positive results for its securities business. Most of the Bank's customers are investors focused on the long-term who regard securities as a nearly indispensable part of a balanced asset portfolio. Moreover, despite strong earnings in the reporting period, growth prospects for the "current account" product remain positive.

Since we expect the interest rate level to remain low and for real assets to continue to be in demand, we expect demand for real estate financing to be stable in 2012. Finally, we expect growth in the area of consumer loans.

The Bank's objective for 2012 in the Commercial Banking segment is to double the volume of transactions reported on the statement of financial position. In 2013, rise in volume should be at the same level in absolute terms.

Following the record earnings in 2011 and the significant increase in profits, the Bank expects pre-tax profit in 2012 to decline slightly by approximately 10 percent if economic conditions do not deteriorate significantly. We consider the main reason for this decrease in earnings to be increased margin pressure due to greater competition. It is no longer so easy for some banks to refinance themselves on the capital market. Therefore, more and more foreign banks have also learned to appreciate retail customer deposits as a highly valuable and comparatively inexpensive source of capital.

In contrast, the increase in business volume should reach approximately the level of the fiscal year just ended. While business volume in 2013 is expected to remain at the level of 2012, we expect a volume-based increase in pre-tax profits compared to 2012 in the upper single-digit percentage range.

At this time, we would like to thank our 7,446,295 customers and all employees of our Bank. They have made the encouraging figures shown in this annual report possible.



4.0 Consolidated financial statements

4.1	Consolidated statement of financial position
4.2	Consolidated income statement
4.3	Consolidated statement of comprehensive income
4.4	Consolidated statement of changes in equity
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4.6.5	Notes to the consolidated income statement
4.6.6	Segment report

4.6.7 Notes to the consolidated cash flow statement

4.6.8 Capital management

Consolidated statement of financial position

4.1 Consolidated statement of financial position

		12/31/2011	12/31/2010
		€m	€m
Assets			
Cash reserve	1	2,783	1,417
Loans and advances to banks		5,791	8,709
Loans and advances to customers	3	74,732	62,694
Adjustment to portfolio fair value hedges	4	2,366	1,665
Financial investments	5	22,202	20,277
Derivatives with positive fair value	6	317	411
Investment property	7	12	13
Property and equipment	8	51	42
Intangible assets	9	28	29
Income tax assets	10	1	3
Deferred tax assets	11	381	329
Other assets	12	814	744
Total assets		109,478	96,333
Equity and liabilities			
Equity			
Subscribed capital		100	100
Reserves		5,378	4,731
Non-controlling interest		0	0
Equity	13	5,478	4,831
Liabilities			
Securitized liabilities	14	497	0
Deposits from banks	15	7,955	5,670
Due to customers	16	90,860	82,223
Derivatives with negative fair value	17	3,003	2,092
Income tax liabilities	18	8	3
Deferred tax liabilities	19	412	337
Non-current provisions	20	56	52
Other liabilities	21	1,209	1,125
Total equity and liabilities		109,478	96,333

4.2 Consolidated income statement

		2011	2010
		€m	€m
Interest income		3,116	2,726
Interest expense		- 1,790	- 1,598
Net interest income	31	1,326	1,128
Commission income		146	139
Commission expense		- 105	- 96
Net commission income	32	41	43
Net gains / losses on measurement of derivatives and hedged items	33	- 29	21
Other net gains / losses on financial investments and investment property	34	- 157	- 34
Other income	35	137	6
Total income		1,318	1,164
Risk provision	36	77	127
Amortization and write-downs of intangible assets	37	0	3
Personnel expenses	38	203	186
Other administrative expenses	39	378	354
Total expenses		658	670
Profit before tax		660	494
Income tax	40	- 211	- 149
Profit after tax		449	345

Consolidated statement of comprehensive income

4.3 Consolidated statement of comprehensive income

		Amount before tax 2011	Income tax 2011	Amount after tax 2011
		€m	€ m	€m
Profit after tax				449
Other comprehensive income				
Measurement of available-for-sale financial investments	5,13	18	6	12
Realized gains and losses transferred to the income statement	33,13	20	6	14
Change in the cash flow hedge reserve	23,13	- 14	- 5	- 9
Impairment losses	5,13	136	44	92
Other remeasurements	5,13	0	0	0
Actuarial gains / losses from defined benefit pension plans	20	0	0	0
Consolidated other comprehensive income		160	51	109
Total comprehensive income				558

		Amount before tax 2010	Income tax 2010	Amount after tax 2010
		€m	€m	€m
Profit after tax				345
Other comprehensive income				
Measurement of available-for-sale financial investments	5,13	63	20	43
Realized gains and losses transferred to the income				
statement	33,13	32	10	22
Change in the cash flow hedge reserve	23,13	19	6	13
Impairment losses	5,13	0	0	0
Other remeasurements	5,13	0	0	0
Actuarial gains / losses from defined benefit				
pension plans	20	0	0	0
Consolidated other comprehensive income		114	36	78
Total comprehensive income				423

4.4 Consolidated statement of changes in equity

	capital 2011	reserves 2011	2011
	€m	€m	€m
Consolidated equity as of Jan. 1	100	4,731	4,831
Remeasurement of available-for-sale financial investments after tax	0	12	12
Realized gains / losses transferred to the income statement	0	14	14
Changes in the cash flow hedge reserve after tax	0	- 9	- 9
Impairment losses	0	92	92
Other remeasurements	0	0	0
Consolidated other comprehensive income	0	109	109
Subtotal as of Jan. 1	100	4.0.41	4,941
	0	4,841	
Other changes Margar / shapes the group structure	0	245	2 245
Merger / changes the group structure Profit transfer	0	- 394	- 394
	0	236	236
Contribution from tax group (push-down method) Profit after tax	0	449	449
Profit after tax		449	449
Consolidated equity as of Dec. 31	100	5,378	5,478
	Subscribed capital	Other reserves	Total 2010
	capital 2010	reserves 2010	2010
	capital	reserves	
Consolidated equity as of Jan. 1	capital 2010	reserves 2010	2010
Consolidated equity as of Jan. 1 Remeasurement of available-for-sale financial investments after tax	capital 2010 € m	reserves 2010 € m	2010 € m
	capital 2010 € m	reserves 2010 € m 4,399	2010 € m 4,499
Remeasurement of available-for-sale financial investments after tax	capital 2010 € m 100	reserves 2010 € m 4,399	2010 € m 4,499 43
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement	capital 2010 € m 100 0	reserves 2010 € m 4,399 43	2010 € m 4,499 43
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax	capital 2010	reserves 2010 € m 4,399 43 22	2010 € m 4,499 43 22 13
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses	capital 2010 € m 100 0 0 0 0	reserves 2010 € m 4,399 43 22 13 0	2010 € m 4,499 43 22 13 0
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income	capital 2010 € m 100 0 0 0 0 0 0	reserves 2010 € m 4,399 43 22 13 0 78	2010 € m 4,499 43 22 13 0 78
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income	capital 2010	reserves 2010	2010 € m 4,499 43 22 13 0 0 78
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income Subtotal as of Jan. 1 Other changes	capital 2010 € m 100 0 0 0 0 0 0	reserves 2010 € m 4,399 43 22 13 0 78	2010 € m 4,499 43 22 13 0 78
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income	capital 2010	reserves 2010 € m 4,399 43 22 13 0 78 4,477 1	2010 € m 4,499 43 22 13 0 78 4,577 1
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income Subtotal as of Jan. 1 Other changes Merger / changes in group structure Profit transfer	capital 2010	reserves 2010 € m 4,399 43 22 13 0 78 4,477 1 0	2010 € m 4,499 43 22 13 0 78 4,577 1 0
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income Subtotal as of Jan. 1 Other changes Merger / changes in group structure Profit transfer Contribution from tax group (push-down method)	capital 2010 € m 100 0 0 0 100 0 0 0 0 0 0 0	reserves 2010 € m 4,399 43 22 13 0 78 4,477 1 0 -290 200	2010 € m 4,499 43 22 13 0 0 78 4,577 1 0 - 290 200
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income Subtotal as of Jan. 1 Other changes Merger / changes in group structure Profit transfer	capital 2010	reserves 2010 € m 4,399 43 22 13 0 78 4,477 1 0 - 290	2010 € m 4,499 43 22 13 0 78 4,577 1 0 - 290
Remeasurement of available-for-sale financial investments after tax Realized gains / losses transferred to the income statement Changes in the cash flow hedge reserve after tax Impairment losses Other remeasurements Consolidated other comprehensive income Subtotal as of Jan. 1 Other changes Merger / changes in group structure Profit transfer Contribution from tax group (push-down method)	capital 2010	reserves 2010 € m 4,399 43 22 13 0 78 4,477 1 0 -290 200	2010 € m 4,499 43 22 13 0 78 4,577 1 0 -290 200

Consolidated statement of changes in equity

For detailed disclosures on the equity accounts, refer to note 13.

The revaluation reserve is included in reserves in this summary. Note 13 reports on changes in the revaluation reserve.

There were no retrospective changes in accordance with IAS 8 due to the correction of errors or due to transition effects arising from the change in accounting policies.

4.5 Consolidated statement of cash flows

	12/31/2011 € m	12/31/2010 € m
Profit before tax	660	494
Non-cash items included in profit before tax and reconciliation to cash flow from operating activities		
Depreciation and write-downs of property and equipment, write-downs of loans and advances and financial investments, and reversals of impairment losses on		
these items	298	211
Increase in provisions	42	48
Gains or losses on disposal of financial investments and property and equipment	21	34
Other non-cash expenses and income	29	- 21
Subtotal	1,050	767
Cash changes in operating assets and liabilities		
Loans and advances to banks	3,201	- 1,774
Loans and advances to customers	- 10,998	- 6,732
Other operating assets	- 282	- 134
Positive and negative fair values of derivatives	13	- 18
Deposits from banks	638	1,229
Due to customers	8,096	6,945
Other operating liabilities	322	32
Net cash flows from operating activities	2,040	314

Continued on next page

continued	12/31/2011	12/31/2010
	€ m	€m
Investing activities		
Proceeds from		
Disposal of securities	2,468	2,707
Maturity of securities	1,445	2,133
Additions to cash resulting from the merger	357	0
Payments for investments in		
Financial investments	- 5,609	- 4,340
Property and equipment	- 20	- 5
Intangible assets	- 11	- 12
Net cash flows from investing activities	- 1,370	484
Financing activities		
Issuance of securitized liabilities	497	0
Payments to shareholders	- 290	- 286
Net cash used in financing activities	207	- 286
Net cash flow	877	511
Cash and cash equivalents at start of period	4,999	4,488
Cash and cash equivalents at end of period	5,876	4,999

The statement of cash flows is explained in note 42.

Notes to the IFRS consolidated financial statements

4.6.1 General information

ING-DiBa AG is a German stock corporation (Aktiengesellschaft) with activities in the banking sector.

Its business is primarily focused on direct banking with retail customers (retail business). The commercial banking business of the former German branch of ING Bank N.V., Amsterdam, was transferred to ING-DiBa AG in the course of a multi-stage reorganization. The Bank's activities thus expanded to include the "Commercial Banking" business segment as of August 31, 2011. This is discussed in greater detail in the section "Significant accounting policies".

ING-DiBa AG is domiciled at Theodor-Heuss-Allee 106, 60486 Frankfurt am Main. The Company is registered under HRB 7727 in the commercial register at the Local Court of Frankfurt am Main.

The Company operates a branch in Vienna, Austria, trading as ING Direktbank Austria. An additional branch, established during the fiscal year and domiciled in Frankfurt am Main, has been responsible for continuing the business activities of the former German branch of ING Bank N.V. since August 2011. That branch trades under the name ING Bank, a branch of ING-DiBa AG.

ING-DiBa AG's operation in Germany has offices in Frankfurt am Main, Nuremberg, and Hanover.

ING-DiBa AG is the parent company of a subgroup. All companies in the subgroup are domiciled in Germany. The activities of the subsidiaries are focused on property and asset management; none of them operates banking business. One company is a special purpose entity created to securitize ING-DiBa AG's mortgage loans (note 28).

All of ING-DiBa AG's share capital was held by ING Deutschland GmbH, Frankfurt am Main, at the end of the reporting period. The annual financial statements of ING-DiBa AG are included in the consolidated financial statements of ING Groep N.V., Amsterdam.

The share capital of ING-DiBa AG is not listed on the stock exchange.

The Management Board signed these consolidated financial statements on April 23, 2012 and sent them to the Supervisory Board for approval.

Where these Notes use the term "consolidated financial statements", they refer to the consolidated financial statements of the ING-DiBa subgroup. This applies accordingly to all parts of the subgroup's consolidated financial statements and the term "consolidated subgroup". The consolidated financial statements of other consolidated groups and other consolidated groups themselves will be identified as such. To distinguish the subgroup's management report clearly from the management report for the single entity ING-DiBa AG, the subgroup's management report will be referred to as the "Group management report".

In fiscal year 2011, ING-DiBa issued its first Pfandbrief on the market (a listed mortgage Pfandbrief; ISIN DE 00A1KRJA0; see note 14) and thus acquired the status of a capital-market-oriented company under German commercial law.

These consolidated financial statements for the fiscal year ended December 31, 2011 were prepared on the basis of article 4 of Regulation 1606/2002 (EC) dated July 19, 2002 in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union. In addition, the commercial law provisions in accordance with section 315 a (1) HGB in conjunction with article 57 no. 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, "EGHGB") were also applied.

The consolidated financial statements comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows.

They also include the notes to the consolidated financial statements. In addition, this report also contains a report on operating segments and the Group management report required under German commercial law.

The risk report in accordance with IFRS 7.31-42 is largely integrated into the Group management report (see Group management report: Risk report).

The consolidated financial statements are presented in euros. Unless otherwise indicated, all figures are shown in millions of euros (\in m).

The statement of financial position also presents comparative prior-period figures. It does not include the operations of the former German branch of ING Bank N.V., which was integrated with ING-DiBa AG as of August 31, 2011 in the course of a multi-stage reorganization.

Significant accounting policies

4.6.2 Significant accounting policies

Transfer of the German branch of ING Bank N.V. to ING-DiBa AG

In fiscal year 2011, the operations of the Frankfurt branch of ING Bank N.V., Amsterdam, a wholly owned subsidiary of ING Groep N.V., Amsterdam, (ING Groep) were completely spun off in accordance with Dutch law to a wholly owned sister company of ING Bank N.V., Conifer B.V., Amsterdam. The spin-off and transfer were completed in exchange for a new share in Conifer B.V. Once the spin-off had entered into effect, ING Groep transferred its shares in Conifer B.V. along the shareholding chain to the parent of ING-DiBa, ING Deutschland GmbH. Conifer B.V. was then the subject of a cross-border merger with ING-DiBa pursuant to sections 122 a et seq. of the German Reorganization Act (Umwand-lungsgesetz, "UmwG"), whereby no new shares in ING-DiBa were transferred as consideration.

The integration of the Commercial Banking segment will represent a further source of earnings in addition to the retail business, and will have a positive influence on the stability of the Bank's earning power. This will strengthen the retail (savings) business thanks to greater investment potential as compared to the capital markets business. Commercial Banking's stronger focus on net commission income in addition to net interest income as a key earnings component represents a broader diversification with respect to sources of income.

The merger became effective within the meaning of section 5 (1) no. 6 of the UmwG on January 1, 2011. The effective date of the merger is the date on which the actions of the transferring entity are deemed inter se to be carried out for the account of the receiving entity.

The merger was entered into the commercial register on August 31, 2011.

The merger constituted a business combination under common control since the ultimate control of the entities involved was deemed to be held and retained by the same parent company, ING Groep N.V., after the merger. Business combinations under common control generally do not fall within the scope of IFRS 3. This is an issue which has previously not been dealt with in IFRS.

On the basis of IAS 8.10 to 8.12, ING-DiBa applies US GAAP in conjunction with IDW ERS HFA 2 (amended). ING-DiBa AG's consolidated financial statements are thus interpreted as an excerpt of the consolidated financial statements for ING Groep N.V. as a whole.

Accordingly, the intercompany merger was not treated as an arm's length transaction in analogous application of IFRS 3, but rather generally as a transfer of net assets at the carrying amounts recorded in the IFRS consolidated financial statements of ING Groep N.V. as of the date on which control was transferred.

August 31, 2011 was selected as the acquisition date in accordance with IFRS, as this was the date on which the transfer of control was also evident to outside parties. The carrying amounts for the net assets of the German branch of ING Bank N.V. were transferred to ING-DiBa AG's books as of that date and recorded as a shareholder contribution in equity since the merger took place without the transfer of consideration. The share capital of the acquiring company was not increased.

Given the fact that the date of the merger for IFRS purposes fell during the fiscal year, the income and expenses of the acquired business only impacted ING-DiBa's profit or loss for the year during the last four months of the reporting year (September 1 to December 31, 2011). The figures in ING-DiBa's consolidated financial statements as of December 31, 2010 have not been restated retrospectively.

Significant accounting policies

The IFRS carrying amounts for the acquired branch as of August 31, 2011 were as follows:

	08/31/2011
	€ m
Assets	
Cash reserve	216
Loans and advances to banks	964
Loans and advances to customers	1,118
Property and equipment	2
Income tax assets	3
Other assets	18
	2,321
Total assets	2,321
Total assets	2,321
Total assets Equity and liabilities	2,321
	245
Equity and liabilities	
Equity and liabilities Equity	245
Equity and liabilities Equity Equity	245
Equity and liabilities Equity Equity Liabilities	245 245
Equity and liabilities Equity Equity Liabilities Deposits from banks	245 245 1,501
Equity and liabilities Equity Equity Liabilities Deposits from banks Due to customers	245 245 1,501 540
Equity and liabilities Equity Equity Liabilities Deposits from banks Due to customers Income tax liabilities	245 245 1,501 540 5
Equity and liabilities Equity Equity Liabilities Deposits from banks Due to customers Income tax liabilities Deferred tax liabilities	245 245 1,501 540 5

The entity which was merged with the Group will henceforth operate as a dependent branch of ING-DiBa AG.

The new business operations will expand ING-DiBa AG's range of activities. New business segments will include

- corporate customer financing,
- foreign trade finance,
- involvement in syndicate banking and
- international cash pooling for corporate customers.

The Group management report discusses the business of the new branch in detail.

Changes in the Group structure

On August 19, 2011, Rahmhof Grundbesitz GmbH, Frankfurt am Main, was transferred to ING-DiBa in a transaction at carrying amounts within the overall ING Group, and has been operated as a subsidiary of ING-DiBa since then.

On December 20, 2011, the formerly wholly owned subsidiary ABK Beteiligungsgesellschaft B.V. & Co. KG, Frankfurt am Main, was merged with ING-DiBa AG. This merger did not impact the consolidated financial statements of ING-DiBa.

Consolidation

Basis of consolidation

The following companies are included in the basis of consolidation of the IFRS consolidated financial statements:

	12/31/2011 Equity interest (%) held directly	12/31/2011 Equity interest (%) held indirectly	12/31/2010 Equity interest (%) held directly	12/31/2010 Equity interest (%) held indirectly
GGV Gesellschaft für Grundstücks- und				
Vermögensverwaltung mbH, Frankfurt am				
Main	100	0	90	10
ABK Beteilligungsgesellschaft B.V. & Co. KG,				
Frankfurt am Main	0	0	100	0
ING-DiBa Service GmbH, Frankfurt am Main	100	0	100	0
Pure German Lion RMBS 2008 GmbH,				
Frankfurt am Main	0	0	0	0
Ingredit Verwaltungs GmbH, Frankfurt am				
Main	100	0	100	0
Helophant Portfolio GmbH, Frankfurt am				
Main	0	100	0	100
Helophant Portfolio II GmbH, Frankfurt am				
Main	0	100	0	100
Rahmhof Grundbesitz GmbH, Frankfurt am				
Main	100	0	0	0

ING-DiBa AG holds all of the shares in GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH.

ABK Beteiligungsgesellschaft was merged with ING-DiBa AG in fiscal year 2011.

On December 1, 2008, the Bank sold, as part of an RMBS transaction, a portfolio of mortgage loans with a nominal volume of EUR 4.7 billion to Pure German Lion RMBS 2008 GmbH, Frankfurt am Main, (Pure German Lion), a company established for this purpose in the same fiscal year. On this basis, the special purpose entity issued a securitization in

4.6.2 Significant accounting policies

RMBSs (residential mortgage-backed securities). ING-DiBa holds all securities issued as part of this transaction. The special purpose entity is also included in the consolidated financial statements in accordance with SIC-12. ING-DiBa does not hold any equity interest in the entity. As a result of full consolidation, a non-controlling interest is reported under equity, which represents the shares in Pure German Lion RMBS 2008 GmbH, Frankfurt am Main, amounting to EUR 25 thousand. For more information on equity and special purpose entities, see notes 13 and 28.

ING-DiBa AG holds all shares in Ingredit Verwaltungs GmbH. ING-DiBa Service GmbH holds all shares in Helophant Portfolio GmbH and Helophant Portfolio II GmbH.

Rahmhof Grundbesitz GmbH, Frankfurt am Main, has been held as a subsidiary since August 19, 2011.

The consolidated financial statements do not include any investments accounted for using the equity method.

Consolidation methods

In accordance with IAS 27.24, the consolidated financial statements of ING-DiBa AG have been prepared in accordance with uniform Group accounting policies.

Acquisition accounting uses the acquisition method in accordance with IAS 27.18 in conjunction with IFRS 3.4 et seq.

The acquisition method is based on the fictitious concept that all identifiable assets and liabilities of the entity to be consolidated are acquired separately. The cost of an acquisition is offset against the proportionate equity of the entity to be consolidated, determined as of the date of acquisition, when it is first consolidated and at identical values at the end of each subsequent reporting period in the context of subsequent consolidations.

Intra-Group balances, transactions, and profits are eliminated. Business relations between entities included in consolidation and any resulting receivables and liabilities as well as expenses and income are eliminated as part of consolidation accounting.

December 31, 2011 is the reporting date for the financial statements of all entities included in consolidation.

Basis of presentation

The consolidated financial statements of ING-DiBa AG have been prepared on a going concern basis. Income and expenses are ratably recognized in the income statement in the period to which they relate (matching principle).

Recognition, measurement, and reporting policies are applied consistently.

IFRS accounting requires the Company's management to make estimates and exercise judgment that affect the recognition and measurement of assets and liabilities and of expenses and income. These estimates and judgments are supported by such data and empirical values that are useful in the given context. Similar to the background information used, they are subject to continuous review.

The notes to the consolidated statement of financial position and to the consolidated income statement and statement of comprehensive income report the respective methods used. Reference is made to any significant effect management judgment may have on the presentation of the net assets, financial position and results of operations.

Financial instruments

Financial assets and financial liabilities

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

In these financial statements, financial instruments are recognized in particular in the following accounts:

- Cash reserve
- Loans and advances to banks
- Loans and advances to customers
- ▶ Financial investments
- Derivatives with positive fair value
- Securitized liabilities
- Deposits from banks

Significant accounting policies

- Due to customers
- Derivatives with negative fair value

Date of recognition

Financial instruments in the available-for-sale (AfS) and held-to-maturity (HtM) categories and derivatives are recognized in the statement of financial position on the trade date. Financial instruments in the loans and receivables (LaR) measurement category and non-derivative financial liabilities are recognized as of the settlement date.

Derecognition

In principle, a financial asset is derecognized when the right to receive cash flows from the respective financial asset has expired or substantially all risks and rewards from the asset have been transferred.

If substantially all risks and rewards of ownership of the financial asset are neither retained nor transferred, the asset is derecognized if the Group has lost the ability to exert control over the asset.

However, if the Group retains control even after transfer, the financial instrument is recognized to the extent the Group has retained control (recognition in the amount of the continuing involvement). Please see note 24 for specific details.

A financial liability may only be derecognized if the contractual obligations have been met, revoked, or have expired.

Offsetting

Financial instruments are offset in accordance with IAS 32.42, if a legally enforceable right to do so exists and there is an intention to settle on a net basis or to liquidate the relevant asset against the associated liability simultaneously.

Initial recognition

Financial instruments are initially recognized at their fair values. Normally, this corresponds to the fair value of the consideration, referred to as transaction price. In the case of financial instruments that do not belong to the "at fair value through profit or loss" (FVTPL) category, transaction costs as defined in IAS 39.AG13 are also included.

Categorization and subsequent measurement of financial assets

The subsequent measurement of financial assets depends on the category to which they have been assigned. IAS 39.9 specifies these as

- Financial assets at fair value through profit or loss (FVTPL),
- Held-to-maturity (HtM) investments,
- Loans and receivables (LaR),
- Available-for-sale (AfS) financial assets.

Financial assets at fair value through profit or loss (FVTPL)

Financial instruments in the FVTPL category are subsequently measured at their fair values. Any changes in fair value are immediately recognized through profit or loss.

This category has the "held for trading" and "fair value option" subcategories.

The "held for trading" subcategory only contains derivatives not accounted for under the special hedge accounting rules of IAS 39. ING-DiBa does not hold any financial instruments for trading as defined in IAS 39.9, Definition of four categories of financial instruments, letter a items (i) and (ii).

The "fair value option" possible under IAS 39, which allows instruments to be allocated to the FVTPL category under certain conditions, was not exercised during the periods under review.

This means that the group of financial instruments measured at fair value through profit or loss is made up exclusively of derivatives not designated as hedging instruments.

The resulting measurement gains or losses are included in the measurement gains or losses caption (note 33), but the associated interest income and expense is reported under net interest income (note 31).

The respective derivatives are reported under "Derivatives with positive fair value" (note 6) or "Derivatives with negative fair value" (note 17).

Significant accounting policies

Held-to-maturity (HtM) investments

Non-derivative financial assets with a fixed maturity that result in fixed or determinable claims for payment are assigned to the held-to-maturity category, if there is a firm intention to hold them to maturity.

HtM securities are subsequently measured at amortized cost, calculated using the effective interest method.

The interest calculated in this way is recognized under net interest income (note 31).

HtM securities are only included in the financial investments account (note 5).

Loans and receivables (LaR)

ING-DiBa generally assigns non-derivative financial assets that have fixed or determinable claims for payment but are not traded in an active market to the loans and receivables category.

They are generally subsequently measured at amortized cost, calculated using the effective interest method, less any necessary impairment allowances.

The interest income is allocated to the period in which it accrues; it is recognized under net interest income (note 31). The loans and receivables category includes in particular balances with central banks under the cash reserve (note 1), loans and advances to banks (note 2), and loans and advances to customers (note 3).

Where the instruments have been allocated to the "available-for-sale" (AfS) category, which is also possible, this is shown in the notes to the individual accounts.

Available-for-sale (AfS) financial assets

The available-for-sale category primarily contains debt instruments not assigned to any of the above categories. They are reported in the financial investments account (note 5).

AfS financial instruments are in all cases initially recognized at fair value and subsequent changes in fair value are taken directly to equity. The measurement gains or losses are recognized in the revaluation reserve until the asset is derecognized or an impairment allowance has to be recognized. The revaluation reserve is part of equity.

Note 13 provides information on changes in the revaluation reserve.

As soon as AfS financial instruments are derecognized or written down for impairment, the changes in fair value accumulated up to then in the revaluation reserve are reclassified to other gains/losses on financial investments and investment property (note 34).

The interest income is allocated to the period in which it accrues; it is recognized in the Bank's net interest income. It is based on book interest under amortization of premiums and discounts.

In addition, ING-DiBa AG holds a limited number of immaterial equity investments, which are not relevant for the net assets, financial position and results of operations. These equity instruments are treated as financial investments and are allocated to the available-for-sale (AfS) category in accordance with IAS 39. The shares are not held for trading. To the extent these equity investments are not listed and it is not possible to reliably measure their fair value, they are recognized at cost (note 5).

Dividends from AfS equity investments are recognized under other gains or losses on financial investments and investment property (note 34).

Reclassifications

The general rule is that financial instruments have to be allocated to one of the categories defined in IAS 39.9 on initial recognition and kept in this category for subsequent measurement. IAS 39 permits reclassifications from one financial instrument category to another only in a few exceptional circumstances. No reclassifications were made in fiscal year 2011. During the prior fiscal year, 2010, Greek government bonds with a volume of EUR 282 million were reclassified from "held-to-maturity" to "available-for-sale".

Financial liabilities

After initial recognition at their fair values, ING-DiBa carries all financial liabilities at amortized cost. The fair value option is not exercised in this case either.

Liabilities are only measured at their fair values through profit or loss where derivatives are accounted for without using hedge accounting.

In ING-DiBa's consolidated financial statements, the financial liabilities subsequently measured at amortized cost are reported under securitized liabilities (note 14), deposits from banks (note 15), due to customers (note 16), and other liabilities (note 21).

Significant accounting policies

Valuation techniques

Fair value measurement

Fair value is the amount at the reporting date for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction, always assuming that the entity continues as a going concern.

According to IAS 39, the value to be used by preference is the transaction price as of the end of the reporting period. If a publicly quoted market price from an active market is available, this is the best objective indication of fair value. If it is not possible to sufficiently determine a market price due to inactive markets, recent transactions or an indicative quote by a market maker may be used as the basis for calculating their fair value. If such prices cannot be used, fair value is determined using the discounted cash flow method, taking observable market parameters into account.

Note 30 provides comments on the methods used.

Amortized cost and effective interest method

Amortized cost is the amount at which a financial asset or financial liability is initially recognized, minus principal repayments and any impairment losses, and plus or minus the cumulative amortization, calculated using the effective interest method, of any difference between the initial amount and the maturity amount. The effective interest method is used to allocate interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts all expected future cash flows to the current net carrying amount of the financial instrument through the expected life of this instrument, taking into account all relevant transaction costs, fees, premiums and discounts.

Currency translation

ING-DiBa AG's foreign currency transactions relate primarily to monetary items.

Foreign currency transactions are initially recognized in the functional currency, the euro, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The Bank uses the European Central Bank's mean exchange rate for this purpose.

The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with IFRS (trade or settlement date).

In subsequent periods, foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are generally recognized in profit or loss in the period in which they arise. The exchange rates applicable to the underlying transactions are used to translate foreign currency revenues and expenses.

Currency translation gains and losses are a component of other income.

Risk provision and impairment

Impairment is recognized if there are objective indications that the contractual cash flows can no longer be generated in the manner agreed.

Allowances for losses on loans and advances as part of risk provision in the lending business are based on an incurred loss model, i.e., the cause of the impairment, the loss event, must have occurred before the reporting date.

This results in a two-level impairment process.

First, the existence of objective indications of impairment has to be investigated. Then it has to be established whether an allowance should be recognized and in what amount.

The requirement to recognize an allowance for losses on loans and advances is established for individually significant loans and advances and for groups of loans and advances of lesser significance. Individually significant loans and advances are tested for impairment on a one-by-one basis. If the objective evidence of impairment is not related to the individual, separately significant financial assets, they are combined in portfolios with those loans and advances that are individually immaterial and are subject to a similar risk profile. The whole group is then tested for impairment collectively. Loans and advances of lesser significance are generally subject to portfolio testing. Financial assets for which individual allowances have to be recognized are not subject to collectively assessed allowances.

To the extent it is not necessary to recognize allowances for significant individual loans, they are combined in portfolios and subjected to a further impairment test at that level. If transactions do not feature similar risk characteristics, they must not be combined into a portfolio. If the need arises to recognize an allowance on a significant individual loan, it is removed from the portfolio and a specific valuation allowance is recognized.

An allowance has to be recognized for a financial asset or group of assets if objective indications point to future events after initial recognition that threaten to negatively affect

Significant accounting policies

the future cash flows from the respective financial instruments. It must be possible to estimate the future impact sufficiently reliably.

Indications of a need to recognize an allowance in relation to individual financial assets or a group of assets may include the following:

- ▶ There is an increased probability that the counterparty will become insolvent or start financial reconstruction proceedings.
- ▶ There is already delay or default on interest or principal payments.
- ▶ The counterparty is in considerable financial difficulties, which may negatively impact future cash flows.
- Based on experience and current data, there are clear indications that part of a group of financial assets is substantively impaired, although it is too soon for the internal risk management system to capture these impairment triggers in respect to individual assets.

By contrast, events expected to occur only in the future are no basis for impairment.

In the case of impairment, loans and advances classified as LaR or HtM financial investments must be reported in such a way that the difference between the carrying amount and present value of the expected future cash flows, discounted using the original effective interest rate, accurately reflects the risk provision expense.

The basis for determining the amount of the impairment allowance to be recognized is firstly the contractually agreed cash flows and secondly the defaults normally expected, based on experience, for similarly structured products. The amounts determined on the basis of experience are reviewed with the help of observable current data to eliminate the effects of factors and conditions relating to previous periods.

To determine the amount of impairment allowance to be recognized on a portfolio basis, financial instruments with similar risk structures are combined. In this process, the risk profile provides information on the current counterparty risk, and thus on the probability with which the counterparty will be able to generate the contractually agreed cash flows. The portfolio analysis includes a period analysis of the default probabilities, which takes into account the intervening period that has to be considered between the occurrence of the impairment trigger and its detection by the risk management system. This method

ensures that impairment triggers that have already occurred but not yet been identified are adequately reflected in the risk provision.

Allowances for losses on loans and advances to customers are deducted from assets. In the case of uncollectible loans and advances, allowances are generally derecognized against the carrying amount of impaired financial assets. Loans and advances are usually deemed uncollectible if no payment has been received in the past twelve months, there is no expectation that there will be a change in solvency, the assets held as collateral have been liquidated and enforcement measures have been taken, the borrower has submitted an affidavit and a valuation allowance has been recognized in respect of the full loan and/or advance. Consumer loans are generally written off prior to the expiry of twelve months if the borrower is deceased and it was not possible to identify a successor or the successors have relinquished their inheritance. Recoveries on loans and advances previously written off are recognized in the income statement.

Debit and credit card receivables are written down directly following a detailed investigation into a loss event. The amount written down is the residual of the loss, less the customer's liability and any potential insurance settlement.

No allowances on loans and advances to banks had to be recognized in the periods under review.

If the need to recognize an impairment allowance relates to an AfS financial investment, the accumulated losses recognized directly in equity are derecognized from the revaluation reserve and released to profit and loss.

If AfS equity instruments which are not listed on a stock exchange are recognized at cost because it is not possible to reliably measure their fair value, the amount of a necessary impairment is calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, which are discounted using the current market rate of return on a comparable financial asset. No such impairments were recognized in fiscal years 2010 and 2011.

The two-level impairment process (test for indications of impairment, calculation of required impairment) is also applied to foreign currency assets. The required impairment is calculated as follows: First the asset is measured in a foreign currency. Next, the foreign currency amount is translated into the functional currency. On the one hand, the amount requiring impairment is calculated and on the other, it is verified whether a currency-related impairment has occurred in connection with a permanent devaluation of the currency.

Significant accounting policies

Derivative financial instruments

Derivative financial instruments are used exclusively for risk management and duration control.

Primarily simply structured OTC interest rate swaps were entered into in the periods under review.

An insignificant amount of currency forwards were used in the corporate customer business to hedge exchange rate fluctuations. Hedge accounting was not applied to them.

Derivative financial instruments are initially recognized at fair value at the trade date. They are subsequently also measured at their fair values.

As OTC transactions, the derivatives are subject to the market-based mark-to-model valuation of level 2 of the fair value determination described below (note 30).

Unless the derivatives are designated as hedging instruments, changes in fair value are fully recognized in the income statement. These financial instruments are reported under derivatives with positive or negative fair value, as appropriate (notes 6 and 17).

Embedded derivatives

An embedded derivative is a component of a structured financial instrument that, in addition to the derivative, also includes a non-derivative host contract. There were no structured financial instruments that had to be recognized separately in the periods under review.

Hedge accounting

To effectively hedge against interest rate risk, ING-DiBa makes specific use of simply structured interest rate swaps, which hedge changes in the fair value of hedged items and fluctuations in their future cash flows with offsetting cash flows.

The Bank accounts for hedges using hedge accounting for both fair value and cash flow hedges.

The hedging strategy is subject to strict documentation requirements. When designating a hedging relationship, the related hedged items and hedging instruments, the risk to be hedged, and the risk management strategy are documented.

An important part of hedge accounting permitted for use in the financial statements is to successfully measure effectiveness, which is done both ex ante and ex post. The hedges must be highly effective in accordance with the specified hedging strategy. To be permitted for inclusion in the financial statements, hedge effectiveness must be in a range of between 80 and 125 percent.

The hedged items continue to be reported under the respective captions in the statement of financial position, because the nature and function of the hedged item are not affected by the hedging relationship. Note 23 shows the derivatives broken down by type of hedge. The interest accrued on hedged items and hedging instruments is netted and recognized under net interest income (note 31).

Fair value hedge accounting

Through fair value hedging, the Bank hedges (portions of) recognized assets and liabilities against changes in their fair values if they are due to interest rate risk. Hedged items may be individual items (micro fair value hedging) or consist of entire portfolios (portfolio hedging).

ING-DiBa hedges transactions from the following measurement categories (hedged items):

- Financial instruments in the LaR category
- Financial instruments in the AfS category

Hedging instruments are measured at fair value and any changes in fair value are recognized through profit or loss. The carrying amounts of the hedged items are also adjusted for fair value changes through profit or loss if they are attributable to the hedged risk (hedge adjustments).

For hedges which are 100 percent effective, the net effect of this process is to offset changes in value attributable to the hedged risk.

If only a portion of the risk exposure of the hedged item is hedged, the unhedged portion is accounted for according to the policies that otherwise apply to this hedged item. If the hedged item is an AfS financial instrument, the difference between the total change in fair value and the change in fair value attributable to the hedged risk is recognized directly in the revaluation reserve under equity. The AfS financial instrument is reported at full fair value.

4.6.2 Significant accounting policies

Fair value hedging of interest rate risks is performed for both individual items (micro hedging) and for portfolios (fair value portfolio hedging). In such cases, individual items of the portfolio are not designated as items to be hedged. The effectiveness tests are conducted on the basis of assigned maturity bands. The amount to be hedged and the hedging instruments are designated in each case for the duration of a hedging period. Under micro hedging, changes in the fair value of the hedged item which are attributable to the hedged interest rate risks are allocated to the individual assets as a fair value adjustment. Under fair value portfolio hedging, fair value adjustments are recognized separately in the statement of financial position under adjustment to portfolio fair value hedges (note 4).

If a fair value hedge is terminated before the hedging instrument matures, the risk-related adjustments to fair value included in the carrying amount of the hedged debt instrument are amortized over the remaining maturity of the hedged item. If hedged items are sold, the fair value adjustments are taken into account when determining the net income from the sale.

Cash flow hedge accounting

A cash flow hedge hedges recognized assets and liabilities against future variability in cash flows that affects profit or loss. ING-DiBa uses interest rate swaps for cash flow hedging to convert variable-rate items into fixed-rate items, thus hedging against interest-driven variability in cash flows.

As part of this process, the hedged items continue to be measured according to their classification according to IAS 39.9.

The hedging instruments are recognized at their fair values. The portion of the fair value changes of the hedged items that is effective in relation to the hedged risk is recognized directly in the revaluation reserve for cash flow hedges under equity (notes 13 and 23). Hedge ineffectiveness is the quantification of the difference between the accumulated changes in the fair value of the hedge derivative used and the changes in the fair value of a hypothetically perfect hedge. If the cash flow hedge is not 100% effective, but falls within the effectiveness range required by IAS 39, the amount recognized in the equity account is the lower of the accumulated changes in the fair value of the hedging instruments and the hedged cash flows.

If a hedged risk is no longer expected to occur, the amounts are released to the income statement immediately.

If instruments to hedge interest-driven cash flow variability are terminated early, the amounts recognized in equity are amortized as interest income over the remaining maturity of the original hedge.

For more information on hedge accounting, see notes 23 and 33.

Repo and reverse repo transactions

Because of the risks and rewards of ownership, securities that are part of repo transactions remain in ING-DiBa's statement of financial position (note 24). The corresponding liabilities are reported as deposits from banks, depending on the counterparty (note 15).

Because of the risk distribution, securities purchased under reverse repo transactions are not recognized in the statement of financial position. The receivables from reverse repo transactions are reported under loans and advances to banks (note 2) or under loans and advances to customers (note 3), likewise depending on the counterparty.

Financial guarantees

In accordance with IAS 39.9, a financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized by the guarantor at fair value. If the financial guarantee was issued to an unrelated party in an arm's length transaction, its fair value at inception is generally equal to the premium received. The subsequent measurement of guarantees by the guarantor must be based on the higher of the amount determined in accordance with IAS 37 and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18. If the premium is not paid at inception but rather over the term of the guarantee, ING-DiBa presents it on a net basis, with the present value of the premium offset against the present value of the obligation arising from the financial guarantee.

Financial guarantees are both issued and received in the course of corporate customer financing activities. There are usually contingent assets in this event which, in accordance with IAS 37.31, may not be recognized.

Significant accounting policies

Classes of financial instruments under IFRS 7

IFRS 7 requires certain disclosures to be presented by class of financial instrument. They are related to the nature of the information disclosed, which means that different classes may be formed for the respective disclosures. Financial instruments in the same class have significant characteristics in common.

Financial instruments are classified by captions on the statement of financial position. Where necessary, captions are further subdivided by measurement categories. Wherever appropriate, individual items are aggregated or further broken down under line items in the statement of financial position. Financial guarantees, irrevocable loan commitments and derivatives used as hedges are presented as classes of their own.

Other items

Investment property

Investment property refers to land and buildings leased to third parties. It also includes bail-out purchases, although the Bank only holds a very small number of such properties. No property or equipment was reassigned from or to Group-occupied property and equipment in the fiscal years under review.

Investment property is measured at cost plus transaction costs on initial recognition. Subsequent expenditure, incurred at a later date, that increases the potential future economic benefits of the property beyond the original extent is also recognized as part of cost. Refurbishment work, on the other hand, is classified as maintenance expense.

Investment property is subsequently measured at fair value through profit or loss. Fair value is determined when there are objective indications of a change in value, but at least every five years, by independent external experts.

Given the lack of comparability in the market, the external experts generally use the income capitalization approach, under which the value is determined on the basis of discounted cash flows. This method takes into account secure rental income up to the end of the agreed lease and normal expected market rents and costs beyond that. In addition, it takes into account possible vacancies and other eligible losses of rental income. The amounts calculated in this way are discounted using a market interest rate that takes into account the special attributes of the property, such as its type and location.

Group-occupied property and equipment

Property and equipment (note 8) comprises Group-occupied land and buildings as well as operating and office equipment, which includes in particular IT and telecommunication systems and office equipment.

Property and equipment is initially recognized at cost at the date that marks the transfer of beneficial ownership.

Group-occupied land is measured using the revaluation method. At regular intervals of up to five years, and when there are objective indications of a change in value, such as construction work, reports are prepared by independent external experts who determine fair value using the income capitalization approach. This method is the same as that explained under "Investment property" above and is therefore also subject to the same type of estimates and management judgment.

Even when the revaluation method is used, the carrying amounts of Group-occupied properties are subject to straight-line depreciation over their expected useful lives.

Operating and office equipment is subsequently measured at depreciated cost. The carrying amounts are subject to straight-line depreciation over the useful lives of the assets. The IFRS component approach requires individual components to be depreciated over their individual useful lives, irrespective of whether their uses and functions are related.

Intangible assets

Intangible assets relate almost exclusively to software and software licenses.

They are eligible for recognition in the statement of financial position if they meet all of the following criteria: they are identifiable, they can be measured reliably, they are expected to lead to future economic benefits, and the company has control over this resource.

ING-DiBa has both purchased and internally generated intangible assets. They are initially recognized at cost and subsequently measured at amortized cost. Useful lives of three years are normally assumed for software. Intangible assets are amortized pro rata temporis. Amortization expense is included in "Other administrative expenses" in the notes to the consolidated income statement (note 39).

Significant accounting policies

Impairment of property and equipment and intangible assets

Once each asset has been depreciated or amortized, including a review of the method and useful life applied, each component must be tested for impairment as of the end of the respective reporting period. Indications of impairment are, for example, if

- the market value of an asset has declined significantly more than would be expected as a result of normal use;
- significant changes with an adverse effect on the company have taken place or will take place in the technological, market, economic, or legal environment;
- market interest rates that affect the discount rate used in calculating an asset's value in use have increased and thus decrease the asset's recoverable amount materially as defined in the IFRS;
- b there is substantial evidence of obsolescence or physical damage of an asset; or
- as a result of internal restructuring the asset is no longer suitable for generating benefits for the company in the same way as before or evidence is available that the economic performance of the asset is worse than expected.

If there are indications of impairment, the recoverable amount is determined and compared with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognized. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, including disposal proceeds. The rate used for discounting is the market interest rate before tax that reflects the interest effect and the specific risks of the asset. If the recoverable amount cannot be determined for the individual asset, an impairment test has to be performed at the level of the next higher cash generating unit.

There were no indications of impairment of investment properties, Group-occupied properties, operating and office equipment, and intangible assets in the periods under review.

Tax items

A profit and loss transfer agreement in accordance with section 291 (1) of the German Stock Corporation Act (Aktiengesetz, "AktG") is in place between ING-DiBa AG and ING Deutschland GmbH. This agreement forms the basis for a tax group for corporate income tax and trade tax purposes. Under this arrangement, ING-DiBa is a tax group subsidiary and ING Deutschland GmbH is the tax group parent.

In accordance with the principle of substance over form, both the current and deferred income taxes are disclosed in the IFRS consolidated financial statements by the entity responsible, ING-DiBa AG. In this area, for which IFRS does not provide any guidance, ING-DiBa thus follows the interpretation of ASC 740 (US GAAP).

Under the push-down method, corresponding deferred tax assets and liabilities are presented for the deferred income taxes.

The current income taxes paid by the tax group parent are presented as a capital contribution by the tax group parent under other reserves.

As a separate taxable entity, the ING-DiBa Direktbank Austria branch is subject to Austrian tax law.

The tax assets (note 10) and tax liabilities (note 18) items comprise current tax assets and liabilities for the current and previous fiscal years.

Future, and therefore deferred, tax effects arising from changes in carrying amounts are reported under deferred tax assets (note 11) and deferred tax liabilities (note 19). The deferred tax effect is estimated on the basis of temporary differences between the tax base and the carrying amount in the IFRS statement of financial position, to which the operation's particular average tax rate is applied.

Depending on the treatment of the underlying item, deferred taxes are taken directly to the respective equity account or recognized in profit or loss. If they are recognized in profit or loss, they are reported under income tax (note 40) in the income statement.

Other assets

The other assets account (note 12) is used for accrued interest, accruals, and other assets. Following the integration of the German branch of ING Bank N.V. into the subgroup, it became necessary to report plan assets of pension plans (notes 12 and 20).

Accrued interest relates primarily to the presentation of interest on financial investments and derivatives in the period to which it relates. It is generally determined on the basis of the effective interest method.

The other trade receivables and accruals included in this item are normally reported at their nominal values, which correspond to their fair values because the timings are close.

Significant accounting policies

Provisions

Pension provisions (note 20) are recognized according to the projected unit credit method for defined benefit pension plans. The calculation takes into account not only the present value of pension entitlements earned, but also the as yet unrealized actuarial gains and losses arising from changes in the calculation parameters and irregularities in the risk development. Plan assets which must be integrated have existed ever since the integration of the German branch of ING Bank N.V. The actuarial gains and losses are treated in accordance with IAS 19.92. Under this method, known as the "corridor method", actuarial gains and losses are only recognized in profit or loss if the total gains and losses as of the end of the reporting period exceed the higher of 10 percent of the present value of the defined benefit obligation and 10 percent of the fair value of plan assets. The excess amount is amortized over the remaining working lives of employees and recognized in income.

The imputed interest rate for calculating the pension provisions is based on the long-term interest rate for prime-rated fixed-income corporate bonds.

Actuarial reports are used to measure pension provisions as well as provisions for long-service bonuses and partial retirement.

In addition to personnel provisions, there is a small amount of non-current provisions (note 20).

These include a provision for restructuring expenses, which was increased in the course of the current Group restructuring.

The amount provided for is based on the best estimate of the settlement amount. Provisions are only discounted, using interest rates for items with matching maturities applicable as of the end of the reporting period, if the interest effect is material. Interest cost from the unwinding of the discount is in such cases reported under net interest income (note 31). The interest effect is immaterial in the periods under review, which means that no interest cost had to be added back to other non-current provisions.

Other liabilities

Other liabilities include above all interest accrued on deposits from banks, amounts due to customers, derivatives and other financial liabilities, and allocated over the relevant periods.

Other components of this item are primarily short-term deferred income and accrued administrative expenses. Since the interest effect is immaterial, these items are generally recognized at their nominal values.

Contingent liabilities

Contingent liabilities within the meaning of IAS 37 are reported off the statement of financial position, in the notes to the IFRS financial statements (note 25). Their probability of occurrence is estimated to be below 50 percent. The estimated settlement amounts are disclosed in the notes. They normally correspond to the nominal amounts. Contingent liabilities relate primarily to irrevocable and revocable credit commitments, guarantees and letters of credit.

Items in the statement of comprehensive income

Net interest income

Interest income and expense (note 31) is recognized in profit or loss for the period. For loans and advances on which impairment allowances have been recognized, the discount applied to arrive at the present value as of the end of the subsequent reporting period is unwound through interest income.

Net commission income

Fee and commission income is generally recognized at the time the service is provided. Brokerage commission payable to sales partners is amortized over the relevant periods using the effective interest method.

Fees for payment transaction services between banks are recognized as commission income and expense.

Net commission income is explained in note 32.

Gains/losses on measurement of derivatives and hedged items

The gains/losses on measurement of derivatives and hedged items (note 33) include the changes in fair value from the measurement of derivatives (whether or not they are designated as hedges) as well as of hedged items.

In fair value hedges, the total changes in the fair values of the hedging instruments and those changes in the fair values of the hedged items that relate to the hedged risk are recognized in profit or loss.

Significant accounting policies

In the case of derivatives used in cash flow hedges, the ineffective portion of the amount of change is recognized in profit or loss.

Income is recognized in the period in which it is earned.

Additional information

Leasing obligations

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The determination as to whether an arrangement is or includes a lease must be based on the substance of the arrangement, and requires an assessment as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. The assessment of whether an arrangement contains a lease shall be made at the inception of the arrangement, being the earlier of the date of the arrangement and the date of commitment by the parties to the principal terms of the arrangement, on the basis of all of the facts and circumstances. In the event of a change in the contractual terms of an arrangement which go beyond a renewal or extension of the arrangement, the lease must be reassessed. The same applies whenever there is a change in the determination of whether fulfillment is dependent on a specified asset or if there is a substantial change to the asset. A reassessment must also be made if a renewal option is exercised or an extension is agreed to by the parties to the arrangement, unless the term of the renewal or extension had initially been included in the lease term. A renewal or extension of the arrangement that does not include modification of any of the terms in the original arrangement before the end of the term of the original arrangement shall be evaluated in accordance with IFRIC 4.6-9 only with respect to the renewal or extension period.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Legal title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

ING-DiBa AG only operates as a lessee. All leases are classified as operating leases. The useful lives of the leased assets, market price assumptions, and discount rates are subject to management judgment. Lease installments are recognized under other administrative expenses. Note 27 provides a summary of expected future lease installments.

Disclosures related to commercial law

Where the notes to the IFRS financial statements require additional disclosures because of HGB, they are made on the basis of figures determined according to IFRS. This applies

in particular to the different presentations of payments to members of executive bodies (note 29).

Material estimates and uses of judgment

Estimates and judgment used in fair value measurement of financial instruments

In specific cases, the decision as to whether an active market exists and valuations can be based on market prices or whether no active market exists and a valuation model must be used is subject to the discretion of the Bank, which also has discretion over the valuation model and parameters selected.

In illiquid markets or markets with significantly declining liquidity, the prices quoted for the same financial instrument may vary widely, depending on the source. The selection of the most appropriate result within this range requires management judgment. Depending on the decision, there may be significant variances in the fair value derived.

Plausibility checks are performed to ensure that the measurements lead to reasonable fair values and have the appropriate effect on the operating profit or loss.

Estimates and judgment used to determine risk provision and impairment

The measurement of impairment allowances requires a considerable amount of assessments that management has to make in relation to, among other things, the overall portfolio risk, current market developments and experience gathered in past periods. Over time, these assessments may be subject to change and require the impairment allowance to be adjusted.

Both determining that there is an impairment trigger and measuring the allowance are subject to judgment, and any changes in decisions based on such judgment may have a significant impact on individual cases. For example, the decision reflects not only observable market data, but also assumptions about the financial standing of the contracting party, expected future cash flows, and achievable net selling prices.

The future cash flows of a portfolio of financial instruments that are collectively assessed for impairment are estimated firstly on the basis of the contractual cash flows and secondly on the basis of experience regarding the performance of portfolios with comparable credit risks. The amounts based on past experience are in turn adjusted for conditions that are no longer applicable and brought up to date by using observable market data.

To keep to a minimum any variances between impairment allowances recognized and the losses actually incurred, the method and parameters are subject to regular review.

Significant accounting policies

Other material estimates and uses of judgment

The measurement of financial guarantees issued requires the use of judgment and estimates.

The valuation of investment property requires considerable estimates and management judgment, which have a direct impact on the income statement when there are any changes.

Estimates and management judgment are required to determine useful lives and to allocate depreciation charges for equipment and Group-occupied property between accounting periods. Any changes in decisions based on estimates and management judgment can have an impact on the income statement and thus on operating profit or loss.

Like the useful lives applied and the choice of the straight-line method of amortization, the cost of intangible assets is subject to estimates and management judgment in line with their specific operational use.

Even ING-DiBa's decisions not to recognize impairment losses on property and equipment and intangible assets are based on estimates and management judgment, and changes in such decisions could have an impact on the presentation of net assets, financial position, and results of operations.

Decisions based on judgment also include estimates relating to deferred tax effects. This is estimated on the basis of temporary differences between the tax base and the carrying amount in the IFRS statement of financial position, to which the operation's particular average tax rate is applied.

The actuarial calculations for personnel provisions make use of parameters based on judgment.

For other provisions and contingent liabilities not recognized in the statement of financial position, estimates and judgment-based decisions relate in particular to probabilities and settlement amounts.

Events after the end of the reporting period

The latest developments regarding the trimming of Greek debt will not have any note-worthy effect on the Bank's net assets, financial position and results of operations in the current fiscal year.

There were no further significant events after the close of the fiscal year.

Disclosures relating to changes in reporting standards

The following Standards, Interpretations, and Amendments to existing Standards are applicable as of fiscal year 2011:

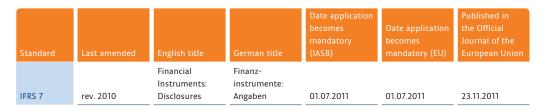
Standard	Last amended	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IAS 1	rev. 2010	Presentation of Financial Statements	Darstellung des Abschlusses	01.01.2011	01.01.2011	19.02.2011
IAS 21	rev. 2010	The Effects of Changes in Foreign Ex- change Rates	Auswirkungen von Wechsel- kursänderungen	01.07.2010	01.07.2010	19.02.2011
IAS 24	rev. 2009	Related Party Disclosures	Angaben über Beziehungen zu nahestehenden Unternehmen und Personen	01.01.2011	01.01.2011	20.07.2010
IAS 27	rev. 2009	Consolidated and Separate Financial Statements	Konzern- und Einzelabschlüsse	01.01.2011	01.01.2011	20.07.2010
IAS 27	rev. 2010	Consolidated and Separate Financial Statements	Konzern- und Einzelabschlüsse	01.07.2010	01.01.2011	19.02.2011
IAS 28	rev. 2010	Investments in Associates	Anteile an assoziierten Unternehmen	01.07.2010	01.07.2010	19.02.2011
IAS 31	rev. 2010	Interests in Joint Ventures	Anteile an Gemeinschafts- unternehmen	01.07.2010	01.07.2010	19.02.2011
IAS 32	rev. 2009	Financial Instruments: Presentation	Finanz- instrumente: Darstellung	01.02.2010	01.02.2010	24.12.2009
IAS 32	rev. 2010	Financial Instruments: Presentation	Finanz- instrumente: Darstellung	01.07.2010	01.07.2010	19.02.2011
IAS 34	rev. 2010	Interim Financial Reporting	Zwischenbe- richterstattung	01.01.2011	01.01.2011	19.02.2011
IAS 39	rev. 2010	Financial Instruments: Recognition and Measurement	Finanz- instrumente: Ansatz und Bewertung	01.07.2010	01.07.2010	19.02.2011

Significant accounting policies

						Published in
Standard	Last	For effects what a	German title	Date application becomes mandatory	Date application becomes mandatory	the Official Journal of the European
IFRS 1	rev. 2010	English title First-time Adoption of	Erstmalige Anwendung der	(IASB) 01.07.2010	(EU) 01.07.2010	Union 01.07.2010
		International Financial Report- ing Standards	International Financial Report- ing Standards			
IFRS 1	rev. 2009	First-time Adoption of International Financial Report- ing Standards	Erstmalige Anwendung der International Financial Report- ing Standards	01.07.2010	01.07.2010	24.07.2010
IFRS 1	rev. 2010	First-time Adoption of International Financial Report- ing Standards	Erstmalige Anwendung der International Financial Report- ing Standards	01.01.2011	01.01.2011	19.02.2011
IFRS 3	rev. 2010	Business Combinations	Unternehmens- zusammenschlüsse	01.07.2010	01.07.2010	19.02.2011
IFRS 7	issued 2009	Financial Instru- ments: Disclosures	Finanzinstru- mente: Angaben	01.01.2009	01.07.2010	01.07.2010
IFRS 7	rev. 2010	Financial Instruments: Disclosures	Finanz- instrumente: Angaben	01.07.2010	01.07.2010 respectively 01.01.2011	19.02.2011
IFRS 8	rev. 2009	Operating Segments	Geschäftssegmente	01.01.2011	01.01.2011	20.07.2010
IFRIC 13	rev. 2010	Customer Loyalty Programmes	Kundenbindungs- programme	01.01.2011	01.01.2011	19.02.2011
IFRIC 14	rev. 2009	IAS 19: The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IAS 19: Die Begrenzung eines leistungsorientierten Vermögenswertes, Mindestdotierungsverpflichtungen und ihre Wechselwirkung	01.01.2011	01.01.2011	20.07.2010
IFRIC 19	issued 2009	Extinguishing Financial Liabilities with Equity Instruments	Tilgung finanzieller Verbindlichkeiten durch Eigenkapi- talinstrumente	01.07.2010	01.07.2010	24.07.2010

No material impact on equity or profit or loss for the year can be detected as a result of these changes. There was no significant expansion of disclosures in these financial statements.

The following revised Standard has already been adopted into EU law and is relevant as follows for future reporting periods. It was not applied early.



The amendments to IFRS 7 adopted by the European Commission will have an impact on financial reporting beginning in fiscal year 2012. They stipulate comprehensive new qualitative and quantitative disclosures regarding transferred financial assets which are not derecognized in their entirety and regarding any continuing involvement as of the reporting date in relation to transferred and derecognized financial assets. The amendments are expected to further enhance disclosures about financial instruments. However, they will not affect the recognition and measurement of assets and liabilities in the consolidated financial statements or profit or loss in future fiscal years.

Some (amendments to) Standards have not yet been adopted into European law.

Based on the current business profile of ING-DiBa, IFRS 9 in particular is expected to have a significant impact.

In April 2009, the IASB presented a time schedule for completely revising IAS 39 in three phases (classification and measurement, impairment and hedge accounting). As a result, IAS 39 will be replaced by IFRS 9. In the first phase, the guidance on the classification and measurement of financial assets was revised and the IASB has now published the approved revisions in the new IFRS 9. On December 16, 2011, the IASB published amendments to IFRS 9 "Financial Instruments", which amends the effective date of IFRS 9 to annual periods beginning on or after January 1, 2015. Furthermore, the provisions relating to comparative figures and the associated disclosures in IFRS 7 were modified.

IFRS 9 reduces to two the number of classifications for subsequent measurement of financial assets: those measured at amortized cost and those measured at fair value.

The starting points for classification are the criteria of the "at amortized cost" category. Financial assets may only be measured at amortized cost if the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows. Another condition is that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The interest must reflect the time value of money and the credit risk.

4.6.2 Significant accounting policies

Financial assets that do not meet these criteria must be measured at fair value. Changes in value must be fully recognized in profit or loss. There is an exception stipulated for equity instruments not held for trading. Measurement gains and losses for these instruments may optionally be recognized under equity. In spite of this, the entity may still choose to use the fair value option, but under different conditions.

The decision to opt for a certain business model will not depend on management's intentions at the level of a single financial instrument, but will be taken at a higher aggregate level. The analysis of the classification options for securitizations requires a review of the properties of the underlying financial asset.

With respect to financial liabilities for which the fair value option has been exercised, IFRS 9 stipulates that a distinction be drawn in terms of changes in value: Any change in fair value triggered by the entity's own credit risk are recognized in other comprehensive income, i.e., directly in equity, unless this presentation would lead to an accounting mismatch. Changes in value not resulting from the entity's own credit risk will still be recognized through profit or loss under IFRS 9, as was the case before.

Other aspects being discussed in connection with IFRS 9 are a complete revision of the impairment methodology for financial instruments and a reform of hedge accounting.

ING-DiBa is currently examining the possible impact of implementing the revised Standard. The full picture will only become evident once all IASB subprojects aimed at successively replacing IAS 39 have been completed.

The adoption of IFRS 10 "Consolidated Financial Statements" effectively amended and renamed IAS 27 "Consolidated and Separate Statements", which now contains the unamended provisions relating to separate financial statements. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when a parent entity controls one or more other entities. IFRS 10 establishes control as the sole basis for consolidation, regardless of the nature or background of the investee. As a result, IFRS 10 replaces the risks and rewards approach used under SIC-12. SIC-12 "Consolidation – Special Purpose Entities" is superseded in its entirety. IFRS 10 defines three cumulative components of control: An entity must have power over the investee, it must be exposed or have rights to variable returns from its involvement with the investee, and it must have the ability to use its power over the investee to affect the amount of the investor's returns. An investor must consider all relevant facts and circumstances when assessing whether it controls an investee. The Standard also provides guidance on assessing control relationships and accounting rules relating to the presentation of consolidated financial statements.

IFRS 11 "Joint Arrangements" governs the accounting treatment of items when an entity exercises joint control over a joint venture or joint operation. The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRS while a joint venturer recognizes its interest in a joint venture using the equity method in accordance with the revised IAS 28 (revised in 2011, "Investments in Associates and Joint Ventures"). Thus, the option of proportionate consolidation of joint ventures will no longer be available in the future. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contribution by Venturers", which had previously contained the relevant provisions for accounting for joint ventures. Going forward, joint ventures will be accounted for solely using the equity method.

Following the publication of IFRS 10 and IFRS 11, IAS 28 "Investments in Associates" was revised accordingly and renamed IAS 28 "Investments in Associates and Joint Ventures".

IFRS 12 "Disclosures of Interests in Other Entities" pertains to disclosures in the notes regarding accounting issues arising from IFRS 10 and IFRS 11. IFRS 12 is a comprehensive standard relating to disclosures in the notes regarding interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Many of the required disclosures were adopted from IAS 27, IAS 28 or IAS 31, although other new required disclosures were added.

The Bank's Corporate Accounting department is currently reviewing the significance of the impacts of these changes.

The new IFRS 13 "Fair Value Measurement" establishes a single comprehensive framework for measuring fair value where that is required by other Standards, and applies to both financial and non-financial items measured at fair value. The Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is thus also referred to as the exit price. The Standard also identifies key measurement attributes which an entity must determine in order to appropriately measure fair value in accordance with IFRS 13. In particular, entities must determine the unit of account to be subjected to fair value measurement, the principal market in which a proper transaction would take place, and the assumptions made by market participants in measuring fair value. In addition, the best use of non-financial assets must be determined, i.e., whether they should be used individually or together with other assets or liabilities. IFRS 13 stipulates three valuation techniques to be used if no directly observable transactions are

4.6.2 Significant accounting policies

available for use in measurement. The valuation technique selected should be consistent and based to the greatest extent possible on relevant observable valuation parameters.

It is not expected that the impacts of IFRS 13 will be significant as compared to the currently existing fair value measurement.

In June 2011, the IASB published amendments to IAS 1 "Presentation of Financial Statements". The amendments addressed the rules for grouping items of other comprehensive income.

Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets" relate to the accounting for deferred taxes on investment property and where either no income tax is levied on capital gains, or a tax rate that deviates from the usual rate is used. SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" is superseded in this context.

IAS 19 "Employee Benefits" (issued 2011) is aimed at replacing the existing recognition options for actuarial gains and losses with an immediate recognition requirement. Actuarial gains and losses and unvested service costs shall no longer be recognized off the statement of financial position pro rata temporis, but instead immediately in the statement of financial position and be reported in other comprehensive income. The amendment stipulates the disaggregation of pension costs and plan assets.

On December 16, 2011, the IASB published the revised IAS 32 "Financial Instruments: Presentation" and, in that context, a revised IFRS 7 "Financial Instruments: Disclosures" regarding rules for offsetting financial instruments. Financial instruments may only be offset when an entity currently has a legally enforceable right to set off the amounts on the one hand, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously on the other hand. The amendments to IAS 32 clarify the terms "currently" and "simultaneously". New disclosures in IFRS 7 are intended to facilitate reconciliation between gross and net items for financial instruments. The disclosures relate to financial instruments which have been offset and those which have not. The revised IFRS 7 also contains disclosures relating to financial instruments which are subject to global netting agreements or similar arrangements. Subject to endorsement by the EU, the IASB intends for IFRS 7 to be mandatory beginning in fiscal year 2013 and IAS 32 in fiscal year 2014.

The Bank is currently reviewing the significance of the impacts of these Standards on its net assets, financial position, and results of operations, and on its reporting and disclosure requirements.

The expected revisions to IFRS 1 "Amendments: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" and IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" will not be of relevance to ING-DiBa.

There are also a number of IASB Exposure Drafts on various international accounting issues, which will attain the status of approved IFRSs in coming reporting periods. Subject to their being adopted into EU law, they are expected to result in extensive changes.

Notes to the consolidated statement of financial position

4.6.3 Notes to the consolidated statement of financial position

(1) Cash reserve

	12/31/2011 € m	12/31/2010 € m
Cash balance	78	92
Balances with central banks	2,705	1,325
Total	2,783	1,417

This item comprises balances with central banks in the European Central Bank System and all cash in the ATM network.

In fiscal year 2011, the central banks played an increasing role as a safe investment alternative.

(2) Loans and advances to banks

	12/31/2011	12/31/2010
	€ m	€m
Payable on demand	3,061	2,197
Other loans and advances	2,730	6,512
Allowance	0	0
Total	5,791	8,709

All loans and advances to banks are classified as loans and receivables as defined in IAS 39.9. The change in volume was due primarily to repayments and alternative reinvestment with an improvement in risk exposure.

It is expected that, of the loans and advances to banks as of December 31, 2011, an amount of EUR 875 million will only be realized or settled after 12 months (December 31, 2010: EUR 1,972 million).

No allowances on loans and advances to banks had to be recognized in the fiscal years under review.

The interest accrued on this item is reported under other assets (note 12).

The loans and advances to banks include cash collateral provided for repo transactions of EUR 0 million (December 31, 2010: EUR 4 million) and for derivatives (notes 6 and 17) of EUR 3,030 million (December 31, 2010: EUR 2,170 million). Please refer to note 24 for information on collateral provided.

Subordinated loans and advances

No subordinated loans or advances were granted in the periods under review.

Receivables from reverse repo transactions

Loans and advances to banks also include receivables from reverse repo transactions. They are in each case related to securities lodged as collateral (note 5). At the end of the year under review (December 31, 2011), they amounted to EUR 1,202 million (December 31, 2010: EUR 4,109 million). For more information on repo transactions, refer to notes 5 and 15.

(3) Loans and advances to customers

	12/31/2011	12/31/2010
	€m	€m
Mortgages	56,586	51,550
Consumer loans	3,320	2,839
Public sector loans and other loans and advances	3,945	5,294
Corporate loans	1,598	0
Asset-backed securities (ABS) / mortgage-backed securities (MBS)	9,776	3,485
Loans and advances to customers before risk provision	75,225	63,168
Portfolio-based impairment allowances	- 117	- 112
Specific impairment allowances including those calculated on a portfolio basis	- 376	- 361
Loans and advances to customers after risk provision	74,732	62,694

It is expected that, of the loans and advances to customers as of December 31, 2011, an amount of EUR 67,547 million will not be realized or settled within 12 months (December 31, 2010: EUR 55,387 million).

All loans and advances to customers are classified as loans and receivables as defined in IAS 39.

The item includes cash collateral provided for derivatives (notes 6 and 17) of EUR 27 million (December 31, 2010: EUR 24 million). No cash collateral had been issued for repo transactions as of the end of the reporting periods.

Notes to the consolidated statement of financial position

EUR 2,265 million in real estate loans was allocated to the cover pool for the Pfandbrief (mortgage bond) issued for the first time in 2011 (note 14).

The loans and advances to customers included a volume of EUR 1,648 million (December 31, 2010: EUR 1,646 million) pledged as collateral as part of transactions with the KfW development bank (Kreditanstalt für Wiederaufbau).

Note 24 provides a summary of the collateral provided.

Loans to corporate customers result from the integration of the German branch of ING Bank N.V. and new loan agreements in the Commercial Banking business segment acquired.

The increase in the volume of asset-backed securities (ABS) / mortgage-backed securities (MBS) was attributable primarily to targeted investments in Dutch residential mortgage-backed securities.

The interest accrued on these items is reported under other assets (note 12).

Allowances for losses on loans and advances to customers

	12/31/2011	12/31/2010
	€ m	€m
Mortgages	- 357	- 335
Consumer loans	- 129	- 138
Public sector loans and other loans and advances	0	0
Corporate loans	- 7	- 0
Asset-backed securities (ABS) / mortgage-backed securities (MBS)	- 0	0
Total	- 493	- 473
Loans and advances to customers before risk provision	75,225	63,168
Risk provision	- 493	- 473
Loans and advances to customers after risk provision	74,732	62,694

In accordance with IAS 39.59, an allowance for losses on loans and advances is recognized if there is objective evidence that an impairment loss has already arisen in the period under review as a result of an event that occurring after initial recognition of the asset and this loss event has an impact on the expected future cash flows.

Changes in allowances for losses on loans and advances to customers

	Portfolio- based impairment allowances	Specific impair- ment allowances including those calculated on a portfolio basis	Total
	2011	2011	2011
	€m	€m	€ m
Balance on Jan. 1	- 112	- 361	- 473
Merger / changes in Group structure	- 1	- 20	- 21
Utilization of existing impairment allowances	0	82	82
Additions to / disposals from risk provision	- 4	- 76	- 80
Other changes	- 0	-1	-1
Balance on Dec. 31	- 117	- 376	- 493

	2010 € m	2010 € m	2010 € m
Balance on Jan. 1	- 82	- 314	- 396
Merger / changes in Group structure	0	0	0
Utilization of existing impairment allowances	0	46	46
Additions to / disposals from risk provision	- 29	- 94	- 123
Other changes	- 2	1	- 0
Balance on Dec. 31	- 112	- 361	- 473

Expenses of EUR 77 million arising from risk provision were recognized in the income statement (previous year: EUR 127 million). Note 36 provides information on expenses arising from risk provision.

As of August 31, 2011, the integration of the German branch of ING Bank N.V. resulted in the addition of EUR 21 million to allowances for losses on loans and advances to customers. Accordingly, the change in this amount relates to the period subsequent to that date.

(4) Adjustment to portfolio fair value hedges

	12/31/2011 € m	12/31/2010 € m
Adjustment to portfolio fair value hedges	2,366	1,665
Total	2,366	1,665

This item represents the adjustment to the present value of loans and advances to customers included in portfolio fair value hedge accounting.

Notes to the consolidated statement of financial position

Out of the adjustment to portfolio fair value hedges as of December 31, 2011, an amount of EUR 2,350 million is only expected to be realized or settled after 12 months (December 31, 2010: EUR 1,647 million).

The hedged items are reported under note 3 (Loans and advances to customers). Further information can be found under notes 23 (Hedge accounting), 6 (Derivatives with positive fair value), 17 (Derivatives with negative fair value) and 33 (Net gains/losses on measurement of derivatives and hedged items).

(5) Financial investments

This item primarily includes bonds and other fixed-income securities in the available-for-sale and held to maturity categories.

	12/31/2011	12/31/2010
	€ m	€m
Available-for-sale		
Bonds and other fixed-income securities	16,556	13,177
Equity investments	3	1
Total AfS	16,559	13,178
Held to maturity		
Bonds and other fixed-income securities	5,643	7,099
Total HtM	5,643	7,099
Total	22,202	20,277

In the fiscal years under review, financial investments included equity investments that are of minor importance to the Group's economic position. To the extent these equity investments are not listed and it is not possible to reliably measure their fair value, they are recognized at cost.

There were no allocations to the trading book.

Out of the available-for-sale financial investments as of December 31, 2011, EUR 15,909 million was due after 12 months (December 31, 2010: EUR 11,568 million) and out of the held-to-maturity financial investments as of December 31, 2011, EUR 4,201 million (December 31, 2010: EUR 5,653 million) was due after 12 months; the amounts are expected to be realized or settled accordingly.

The claim for restitution arose in connection with the restructuring of the post-employment benefits at Commercial Banking.

The interest accrued on financial investments is reported under other assets (note 12).

Changes in financial investments

	AfS securities	AfS equity investments	HtM securities	Total
	2011	2011	2011	2011
	€ m	€ m	€ m	€ m
Balance on Jan. 1	13,177	1	7,099	20,277
Additions	5,609	0	0	5,609
Amortization	- 50	0	- 11	- 61
Reclassifications	0	0	0	0
Merger / changes in Group structure	0	0	0	0
Other changes in fair value	423	2	0	425
Impairments and reversals	- 136	0	0	- 136
Disposals	- 865	0	0	- 865
Maturities	- 1,602	0	- 1,445	- 3,047
Currency translation differences	0	0	0	0
Balance on Dec. 31	16,556	3	5,643	22,202
	2010	2010	2010	2010
	€m	€m	€m	€m
Balance on Jan. 1	11,293	1	9,530	20,824
Additions	4,340	0	0	4,340
Amortization	- 39	0	- 14	- 53
Reclassifications	282	0	- 282	0
Merger / changes in Group structure	0	0	0	0
Other changes in fair value	6	0	0	6
Impairments and reversals	0	0	0	0
Disposals	- 792	0	- 51	- 842
Maturities	- 1,913	0	- 2,085	- 3,998
Currency translation differences	0	0	0	0
Balance on Dec. 31	13,177	1	7,099	20,277

In fiscal year 2011, an incurred loss was identified in relation to Greek government bonds. Based on their market value as of December 31, 2011, this resulted in an impairment loss of EUR 136 million. The Greek government bonds have been categorized as available-forsale. A transfer was made from the revaluation reserve through profit and loss in order to recognize the impairment charge.

Notes to the consolidated statement of financial position

In March 2012, the ING Group approved the exchange of Greek government bonds. In exchange for the Greek government bonds, ING-DiBa received bonds issued by the European Financial Stability Facility (EFSF) and new Greek government bonds, in addition to a derivative financial instrument linked to the development of Greece's gross domestic product. The new government bonds have a step-up coupon.

As part of this successfully implemented exchange, EUR 41.8 million was recognized after the end of the reporting period. As a result, there was no significant change in the carrying amounts of Greek government bonds as compared to December 31, 2011.

There were no reclassifications between measurement categories pursuant to IAS 39.9 in fiscal year 2011. During the prior fiscal year, Greek government bonds with a volume of EUR 282 million had been reclassified from "held-to-maturity" to "available-for-sale".

ING-DiBa continues to hold the securities transferred as part of repo and securities lending transactions in its statement of financial position. Since dated return and repurchase agreements are in place for the transferred assets, ING-DiBa continues to bear the associated risks and rewards. The risks are described in the Group management report. Note 24 contains information relating to financial instruments transferred and pledged as collateral and the corresponding liabilities.

Collateral held in accordance with IFRS 7.15

	2011 € m	2010 € m
Reverse repo transactions	1,318	4,109
Securities lending transactions	0	1,165

Securities accepted as collateral as part of reverse repo and securities lending transactions are not recognized in the statement of financial position under IFRS. The liquidation options are similar to those of standard international repo transactions. Securities lending transactions were exclusively entered into with companies of the ING Group.

The collateral held is reported here at fair value.

(6) Derivatives with positive fair value

	12/31/2011 € m	12/31/2010 € m
Derivatives		
Micro fair value hedges	0	61
Portfolio fair value hedges	211	149
Used in cash flow hedges	26	41
Other derivatives	80	161
Total	317	411

All derivative financial instruments are carried at their fair values and reported as positive or negative fair values. With the exception of cash flow hedges, changes in fair value are immediately recognized in profit or loss.

Derivatives not accounted for using hedge accounting, reported here under "other derivatives", are used to hedge interest rate and other market price risk as well as for duration control and, to a lesser extent, to hedge currency risks.

ING-DiBa makes almost exclusive use of simply structured interest rate swaps, as well as an insignificant amount of currency forwards. In accordance with IAS 39.9, they are allocated to the "at fair value through profit or loss" category. Hedge accounting is not applied to any of the currency forwards.

Further information on derivatives and hedge accounting can be found in notes 23 (Hedge accounting), 17 (Derivatives with negative fair value) and 33 (Net gains/losses on measurement of derivatives and hedged items).

An amount of EUR 298 million (December 31, 2010: EUR 371 million) is expected to be realized or settled after 12 months.

The interest accrued on derivatives is reported under other assets (note 12) or under other liabilities (note 21).

(7) Investment property

ING-DiBa holds a small portfolio of properties that it does not use itself. If they generate rental income, this is recognized under other net income from financial investments and investment property (note 34).

Comments on the valuation methods can be found in the "Basis of presentation" section of this report.

Notes to the consolidated statement of financial position

Changes in investment properties

	12/31/2011 € m	12/31/2010 € m
Balance on Jan. 1	13	13
Additions	0	0
Merger / changes in Group structure	0	0
Reclassifications to / from Group-occupied properties	0	0
Changes in fair value	-1	0
Disposal	0	0
Balance on Dec. 31	12	13

All investment property is measured at fair value.

Status of external property valuation reports

	Percentage of FV of investment property
The most recent valuation report was prepared during the year	
2011	100%
2010	0 %
Not appraised by external appraisers	0 %
Total	100%

(8) Equipment and owner-occupied property

	12/31/2011 € m	12/31/2010 € m
IT facilities	18	12
Owner-occupied properties	15	14
Other property and equipment	18	16
Total	51	42

Changes in equipment and owner-occupied property

	IT facilities 2011	Owner- occupied properties 2011	Other property and equipment 2011	Total 2011
	€m	€m	€m	€m
Carrying amount on Jan. 1	12	14	16	42
Additions	14	0	5	19
Merger / changes in Group structure	0	0	2	2
Disposals	- 0	0	0	- 0
Depreciation	- 8	- 0	- 5	- 13
Impairments / reversals	0	0	0	0
Changes in fair value due to remeasurement	0	1	0	1
Reclassifications and other changes	0	0	0	0
Carrying amount on Dec. 31	18	15	18	50
Gross carrying amount on Dec. 31	84	17	56	157
Accumulated depreciation as of Dec. 31	- 66	- 2	- 38	- 106
Cumulative changes in fair value as				
of Dec. 31	0	0	0	0
Carrying amount on Dec. 31	18	15	18	51

	2010 € m	2010 € m	2010 € m	2010 € m
Carrying amount on Jan. 1	18	14	20	52
Additions	4	0	2	5
Merger / changes in Group structure	0	0	0	
Disposals	- 0	0	0	- 0
Depreciation	- 10	- 0	- 6	- 16
Impairments / reversals	0	0	0	0
Changes in fair value due to remeasurement	0	0	0	0
Reclassifications and other changes	0	0	0	0
Carrying amount on Dec. 31	12	14	16	41
Gross carrying amount on Dec. 31	79	18	48	146
Accumulated depreciation as of Dec. 31	- 67	- 3	- 32	- 103
Cumulative changes in fair value as				
of Dec. 31	0	-1	0	0
Carrying amount on Dec. 31	12	14	16	42

Notes to the consolidated statement of financial position

IT facilities and other property and equipment have been measured using the acquisition method under IAS 16.30. The assets have been depreciated pro rata temporis on a straight-line basis. The depreciation periods applied correspond to the expected useful lives for the Company.

The revaluation method is used to measure Group-occupied properties.

The following depreciation periods have been applied:

Summary of depreciation periods

	Depreciation periods in years
IT facilities	3 - 7
Owner-occupied properties	50
Other property and equipment	2 - 23

Their fair values are determined in the same way as those of investment properties, using the income capitalization approach. The latest external valuation report for Group-occupied properties was issued on December 23, 2011. Overall, increases in value resulted in a reversal of impairment of EUR 1 million (December 31, 2010: EUR 0 million).

	12/31/2011	12/31/2010
	€ m	€ m
Fair value after remeasurement	15	14
Notional carrying amount under acquisition method	13	18

(9) Intangible assets

	12/31/2011 € m	12/31/2010 € m
Software	28	29
Other intangible assets	0	0
Total	28	29

No impairment losses on software and other intangible assets were recognized in the periods under review.

Software and other intangible assets are subject to finite useful lives; they are measured according to the acquisition method and reduced pro rata temporis by straight-line amortization. The useful life of software is normally three years.

Amortization expenses are recognized under other administrative expenses (note 39) in the income statement.

Any costs of internally generated software expensed through the income statement in accordance with IAS 38.54 and IAS 38.57 are also recognized under other administrative expenses (note 39). In fiscal year 2011, an amount of EUR 3.6 million was expensed (previous year: EUR 3.7 million).

Changes in intangible assets

	Software	Goodwill	Other intangible assets	Total
	2011	2011	2011	2011
	€ m	€ m	€m	€m
Carrying amount on Jan. 1	29	0	0	29
Additions	11	0	0	11
Merger / changes in Group structure	1	0	0	1
Disposals	0	0	0	0
Amortization	- 13	0	0	- 13
Impairments / reversals	0	0	0	0
Reclassifications and other changes	0	0	0	0
Carrying amount on Dec. 31	28	0	0	28
Gross carrying amount on Dec. 31	111	0	0	111
Accumulated amortization as of Dec. 31	- 83	0	0	- 83
Carrying amount on Dec. 31	28	0	0	28

Notes to the consolidated statement of financial position

	2010 € m	2010 € m	2010 € m	2010 € m
Carrying amount on Jan. 1	31	0	3	33
Additions	12	0	0	12
Merger / changes in Group structure	0	0	0	0
Disposals	0	0	0	0
Amortization	- 13	0	- 3	- 16
Impairments / reversals	0	0	0	0
Reclassifications and other changes	0	0	0	0
Carrying amount on Dec. 31	29	0	0	29
Gross carrying amount on Dec. 31	99	0	9	107
Accumulated amortization as of Dec. 31	- 69	0	- 9	- 78
Carrying amount on Dec. 31	29	0	0	29

Additions to software can be broken down into internally generated software at EUR 7 million (previous year: EUR 4 million) and individually acquired software at EUR 4 million (previous year: EUR 8 million).

(10) Income tax assets

	12/31/2011 € m	12/31/2010 € m
Income tax assets	1	3

Any income tax assets are due within 12 months.

(11) Deferred tax assets

	12/31/2011 € m	12/31/2010 € m
Deferred tax assets	381	329

Deferred taxes are reconciliation items for temporary differences between the tax base of assets under national tax law and their carrying amounts in the IFRS financial statements. They are calculated using the tax rates expected to be applicable at the time the differences are settled.

Deferred taxes are explained further in notes 19 and 40.

(12) Other assets

	12/31/2011	12/31/2010
	€ m	€m
Accrued interest on loans and advances to banks	28	0
Accrued interest on loans and advances to customers	86	6
Accrued interest on AfS financial investments	301	254
Accrued interest on HtM financial investments	168	214
Accrued interest on hedging derivatives	110	137
Accrued interest on other derivatives	52	108
Other accrued interest	0	0
Net plan assets of pension plans	15	0
Prepaid expenses	12	11
Other assets	41	14
Total	814	744

"Net plan assets of pension plans" shows the amount by which the plan assets, measured at fair value, exceed the corresponding obligation. Full details are provided under note 20 (Non-current provisions).

Net plan assets were included in this item as a result of the integration of the German branch of ING Bank N.V. EUR 30 million of the change in the value of other assets resulted from this transaction.

An amount of around EUR 6 million in other assets (previous year: EUR 7 million) is expected to be realized or settled after 12 months.

(13) Consolidated equity

	12/31/2011 € m	12/31/2010 € m
Subscribed capital	100	100
Reserves	5,378	4,731
Revaluation reserves	214	104
Other reserves	5,164	4,627
Total	5,478	4,831

ING-DiBa AG's subscribed capital was unchanged at EUR 100 million as of the end of the reporting period. It is fully paid up and divided into 100,000,000 no-par value shares, all of which are held by ING Deutschland GmbH, Frankfurt am Main. No profit participation certificates or subordinated liabilities were issued.

Notes to the consolidated statement of financial position

This item includes a non-controlling interest of EUR 0.025 million (December 31, 2010: EUR 0.025 million). These are related to the fully consolidated special purpose entity described in greater detail under note 28.

In accordance with IFRS, gains or losses from the fair value measurement of AfS securities are recognized directly in the revaluation reserve, net of deferred taxes. The gains or losses are only recognized in profit or loss when the asset has been sold or derecognized. In addition, the reserve for cash flow hedges is part of the revaluation reserve. As of December 31, 2011, the revaluation reserve contains an amount of less than EUR 1 million for real property (previous year: EUR 0 million).

Other reserves contains the legal reserve, retained earnings, capital contributions from the parent and the share-based payments granted by the ING Group with settlement using equity instruments. This item increased by EUR 245 million as a result of the merger as of August 31, 2011 described under the section entitled "Significant accounting policies". The legal reserve contains EUR 1 million in reserves that are required under national law (previous year: EUR 1 million); the amounts recognized in this reserve are blocked from distribution in the HGB single-entity financial statements.

The profit after tax for 2011, determined in accordance with HGB, of EUR 394 million (previous year: EUR 290 million) will be transferred to the sole shareholder, ING Deutschland GmbH, Frankfurt am Main, on the basis of a profit and loss transfer agreement.

Changes in revaluation reserves

	Revaluation reserve Real Estate 2011 € m	Available-for-sale financial investments 2011 € m	Cash flow hedge reserves 2011 € m	Total 2011 € m
Value as of Jan. 1	0	77	27	104
Valuation of available-for-sale financial investments	0	12	0	12
Realized gains and losses recognized on statement of comprehensive income	0	14	- 1	14
Losses due to impairments	0	92	0	92
Changes in cash flow hedge reserves	0	0	- 9	- 9
Value on Dec. 31	0	196	17	214

	Revaluation reserve Real Estate 2010 € m	Available-for-sale financial investments 2010 € m	Cash flow hedge reserves 2010 € m	Total 2010 € m
Value as of Jan. 1	0	13	15	28
Valuation of available-for-sale financial investments	0	42	0	42
Realized gains and losses recognized on statement of comprehensive income	0	22	-1	21
Losses due to impairments	0	0	0	0
Changes in cash flow hedge reserves	0	0	13	13
Value on Dec. 31	0	77	27	104

Available-for-sale financial investments are explained under note 5 and the fair value measurement method is described under note 30.

Disclosures relating to cash flow hedges can be found in note 23.

(14) Securitized liabilities

On June 22, 2011, ING-DiBa AG placed its first mortgage bond (Hypothekenpfandbrief) on the capital market in the form of a EUR 500 million bearer bond. The EUR 100,000-denominated bond will mature on June 29, 2016.

As of December 31, 2011, the bond is securitized solely through land charges on German residential properties (note 24).

These properties have been entered into the funding register (Refinanzierungsregister).

Notes to the consolidated statement of financial position

Changes in securitized liabilities

	12/31/2011	12/31/2010
	€ m	€m
Balance as of Jan. 1	0	0
Additions	497	0
Amortization	0	0
Reclassifications	0	0
Merger / changes in Group structure	0	0
Changes in revaluation reserve	0	0
Impairments / reversals	0	0
Disposals	0	0
Maturities	0	0
Currency translation differences	0	0
Balance as of Dec. 31	497	0

(15) Deposits from banks

	12/31/2011 € m	12/31/2010 € m
Payable on demand	96	81
With an agreed maturity or period of notice	7,859	5,589
Total	7,955	5,670

This item includes EUR 443 million arising from the business transactions of the former German branch of ING Bank N.V.

The deposits from banks as of December 31, 2011 include an amount of EUR 6,709 million that is only expected to be realized or settled after 12 months (December 31, 2010: EUR 5,371 million).

As of December 31, 2011, there were no open market transactions with the European Central Bank System (December 31, 2010: EUR 0 million).

The liabilities reported here include repo and securities lending transactions of EUR 730 million (December 31, 2010: EUR 109 million). Further information regarding financial instruments transferred and held as collateral is contained in notes 2 and 24.

The deposits from banks include cash collateral received for reverse repo transactions of EUR 4 million (December 31, 2010: EUR 14 million) and for derivatives (note 6) of EUR 10 million (December 31, 2010: EUR 43 million).

The interest accrued on deposits from banks is reported under other liabilities (note 21).

(16) Due to customers

	12/31/2011	12/31/2010
	€m	€ m
Savings deposits	85,919	80,445
Current account balances	2,488	1,635
Other deposits	2,453	143
Total	90,860	82,223

Amounts due to customers as of December 31, 2011 are expected to include an amount of EUR 683 million that will only be realized or settled after 12 months (December 31, 2010: EUR 548 million).

ING-DiBa participates in the deposit protection fund of the Bundesverband deutscher Banken e.V., Berlin, (Association of German Banks). In addition, it belongs to the Compensation Scheme of German Banks, Berlin (Entschädigungseinrichtung deutscher Banken GmbH, "EdB").

The liabilities reported here include repo and securities lending transactions of EUR 390 million (December 31, 2010: EUR 0 million). Note 24 provides information on financial instruments transferred and pledged as collateral.

The amounts due to customers include cash collateral received for derivatives (notes 6 and 17) of EUR 6 million (December 31, 2010: EUR 11 million).

The interest accrued on amounts due to customers is reported under other liabilities (note 21).

Notes to the consolidated statement of financial position

(17) Derivatives with negative fair value

	12/31/2011 € m	12/31/2010 € m
Derivatives		
Micro fair value hedges	243	55
Portfolio fair value hedges	2,679	1,872
Used in cash flow hedges	0	0
Other derivatives	81	165
Total	3,003	2,092

This item includes derivative financial instruments designated as hedges and instruments not designated as hedges. Their negative fair values of EUR 3,003 million (previous year: EUR 2,092 million) are offset by the positive fair value of derivatives of EUR 317 million (previous year: EUR 411 million).

Derivatives not accounted for using hedge accounting, reported here under "other derivatives", are used to hedge interest rate and other market price risk as well as for duration control and, to a lesser extent, to hedge currency risks.

Further information on derivatives and hedge accounting can be found in notes 23 (Hedge accounting), 6 (Derivatives with positive fair value) and 33 (Net gains/losses on measurement of derivatives and hedged items).

For an amount of EUR 2,964 million under Derivatives with negative fair value (previous year: EUR 2,019 million), realization or settlement is only expected after 12 months.

The interest accrued on derivatives is reported under other assets (note 12) or under other liabilities (note 21).

(18) Income tax liabilities



Income tax liabilities relate to current payment obligations to the tax authorities.

The tax reconciliation can be found under note 40.

(19) Deferred tax liabilities

	12/31/2011 € m	12/31/2010 € m
Deferred tax liabilities	412	337

The tax reconciliation and explanations of income tax expense can be found in note 40.

Changes in deferred tax assets and liabilities

	Net deferred taxes as of Jan. 1, 2011 € m	Changes recognized in equity € m	Changes recognized in profit or loss € m	Merger / changes in Group structure € m	Other € m	Net deferred taxes as of Dec. 31, 2011 € m
Financial investments	- 33	- 56	- 51	0	0	- 140
Derivatives with positive						
and negative fair value	530	0	320	0	0	850
Loans and advances to						
banks and customers	- 526	0	- 229	0	0	- 755
Cash flow hedges	- 13	5	0	0	0	- 9
Pension and personnel provisions	5	0	1	- 2	0	4
Tax loss carryforwards	9	0	- 9	0	0	- 0
Other items	20	- 0	- 2	0	0	18
Subtotal	- 8	- 51	29	- 2	0	- 32
Net deferred taxes	- 8	- 51	29	- 2	0	- 32
Deferred tax assets	329	0	298	0	- 246	381
Deferred tax liabilities	- 337	- 51	- 269	- 2	246	- 412
Total	- 8	- 51	29	- 2	0	- 32

Notes to the consolidated statement of financial position

	Net deferred taxes as of Jan. 1, 2010	Changes recognized in equity	Changes recognized in profit or loss	Merger / changes in Group structure	Other	Net deferred taxes as of Dec. 31, 2010
	€m	€m	€m	€m	€m	€m
Financial investments	- 59	- 31	43	0	14	- 33
Derivatives with positive and negative fair value	499	0	30	0	0	530
Loans and advances to						
banks and customers	- 520	0	- 18	0	12	- 526
Cash flow hedges	- 7	- 6		0	0	- 13
Pension and personnel						
provisions	4	0		0	2	5
Tax loss carryforwards	9	0	0	0	0	9
Other items	50	0	- 2	0	- 28	20
Subtotal	- 24	- 36	52	0	0	- 8
Net deferred taxes	- 24	- 36	52	0	0	- 8
Deferred tax assets	294	0	114	0	- 79	329
Deferred tax liabilities	- 318	- 36	- 62	0	79	- 337
Total	- 24	- 36	52	0	0	- 8

The German branch of ING Bank N.V. was transferred to ING-DiBa AG with retroactive effect for income tax purposes from December 31, 2010.

Because of amounts taken directly to equity, the change in the difference between deferred tax assets and deferred tax liabilities does not correspond to net deferred taxes.

Deferred taxes are recognized in profit or loss if the corresponding statement of financial position item is recognized in profit or loss. Deferred taxes are taken directly to the revaluation reserve if the changes in fair value of the corresponding item in the statement of financial position are taken directly to equity.

Deferred taxes on AfS securities of EUR –56 million (previous year: EUR –30 million) were taken directly to equity, compared with total gains recognized in the revaluation reserve of EUR 174 million (previous year: EUR 95 million). This resulted in net gains of EUR 119 million (previous year: EUR 65 million).

Deferred taxes due to unused tax loss carryforwards

	12/31/2011	12/31/2010
	€m	€m
Total unused tax loss carryforwards	0	37
of which not resulting in deferred tax assets	0	0
of which resulting in deferred tax assets	0	37
Average tax rate	0	25
Deferred tax assets	0	9

Deferred tax assets on tax loss carryforwards and unused tax deductions are recognized only up to the amount in which realization of the respective tax benefit is probable. Developments in future fiscal years may have an impact on the assessment of realizability. Imponderables in determining whether tax losses and tax deductions will remain usable are taken into account when calculating deferred tax assets.

As of December 31, 2011 and as of December 31, 2010, there were no temporary differences in connection with investments in subsidiaries and foreign branches for which no deferred taxes had as yet been recognized.

(20) Non-current provisions

	12/31/2011	12/31/2010
	€ m	€ m
Pension provisions	48	47
Other personnel provisions	4	3
Provision for restructuring measures	2	0
Other provisions	3	2
Total	56	52

An amount of EUR 54 million (December 31, 2010: EUR 45 million) of the provisions recognized is expected to be realized or settled after 12 months.

The provision for restructuring measures was acquired in the course of the transfer of ING-DiBa's Commercial Banking activities.

EUR 1 million of the other provisions relate to litigation risks (December 31, 2010: EUR 2 million). There is uncertainty with regard to amount and due date. The actual provisions recognized depend on the specific progress of the litigation.

Notes to the consolidated statement of financial position

Changes in non-current provisions

	Pension provisions	Other personnel provisions	Other provisions	Total
	2011	2011	2011	2011
	€m	€m	€ m	€ m
Carrying amount as of Jan. 1	47	3	2	52
Merger / changes in Group structure	0	0	3	3
Additions during the reporting period	3	1	2	5
Reversals during the reporting period	0	0	-1	- 1
Utilizations during the reporting period	- 2	0	0	- 3
Carrying amount as of Dec. 31	48	4	5	56

	Pension provisions	Other personnel provisions	Other provisions	Total
	2010	2010	2010	2010
	€m	€m	€m	€m
Carrying amount as of Jan. 1	45	4	1	50
Merger / changes in Group structure	0	0	0	0
Additions during the reporting period	3	0	1	4
Reversals during the reporting period	0	-1	0	- 1
Utilizations during the reporting period	- 1	0	0	-1
Carrying amount as of Dec. 31	47	3	2	52

In the case of the items acquired in the course of the merger, additions, reversals and utilizations relate to the period following the merger date in 2011.

Pension plans

ING-DiBa AG grants its employees post-employment benefits on the basis of bank agreements and individual contractual commitments. In addition to the payment of retirement pensions, they also include disability benefits and surviving dependents' benefits.

Occupational pensions are governed by defined benefit plans and defined contribution plans. Expenses for defined contribution plans, including employer contributions to the statutory pension insurance scheme, amounted to EUR 17 million (previous year: EUR 16 million).

As a result of the integration of the German branch of ING Bank N.V., ING-DiBa AG assumed additional pension obligations; these are protected against insolvency through a contractual trust agreement (CTA) and a pension fund. The plan assets associated with these institutions are offset against the corresponding pension liability in accordance with IAS 19.54, and are presented under other assets (note 12) as of December 31, 2011. The plan assets in the CTA and pension fund consist exclusively of units in a special fund launched for ING.

A provision of EUR 15 million was recognized for current pensions and pension entitlements of former members of executive bodies as of December 31, 2011 (previous year: EUR 22 million).

The provisions are based on the defined benefit obligation (DBO), i.e., the present value of the realistically measured entitlements earned as of the valuation date.

Notes to the consolidated statement of financial position

Defined benefit obligation

The defined benefit obligation changed as follows:

	12/31/2011 € m	12/31/2010 € m
DBO on Jan. 1	44	44
Current service cost	1	1
Interest cost	4	2
Past service cost	0	0
Benefits paid	- 5	- 2
Actuarial gains / losses	1	- 2
Merger / changes in Group structure	119	0
Curtailments and plan settlements	0	0
Other changes	0	0
DBO on Dec. 31	165	44
of which from fully or partially funded plans	119	0
of which from unfunded plans	46	44

The amount reported under "Merger / changes in Group structure" relates exclusively to the transaction resulting in the transfer of the German branch of ING Bank N.V.

Trend analysis

	12/31/2011	12/31/2010	12/31/2009
	€ m	€m	€m
Defined benefit obligation	165	44	44
Experience-based adjustment on pension obligations	- 2	- 2	- 2

The trend analysis shows the changes in the defined benefit obligation since the date of the opening IFRS statement of financial position. Due to the initial recognition as of August 31, 2011 as a result of the merger on that date, the fair value of plan assets, the funded status of the plan and experience-based adjustments to plan assets are only presented for the 2011 reporting period, rather than for the past four years.

Change in plan assets

	2011 € m
Fair value of plan assets as of Aug. 31, 2011	96
Employer contributions	2
Expected return on plan assets	1
Gain (+) / losses (-) on plan assets	- 0
Benefits paid	- 3
Transfers	0
Plan settlements	0
Currency translation effects	0
Fair value of plan assets as of Dec. 31, 2011	95

Gains and losses on plan assets: August 31 - December 31, 2011

	2011 € m
Actual return on plan assets	1
Expected return on plan assets	1
Gains and losses on plan assets	- 0

45.54 percent (EUR 43 million) of the plan assets consist of debt instruments, 20.95 percent (EUR 20 million) of investment fund units and 33.51 percent (EUR 32 million) other assets. Real estate is not included.

The overall expected return on plan assets (composed of debt instruments, investment fund units and other assets) is estimated using a conservative extrapolation of past returns. There were no adjustments to plan assets or the DBO in fiscal year 2011. EUR 11 million in contributions to the pension plans is expected in the coming fiscal year 2012.

Reconciliation to net plan assets of pension plans

	2011 € m	2010 € m
Defined benefit obligation (funded)	- 119	0
Unrecognized actuarial gains / losses	38	0
Fair value of plan assets as of Dec. 31, 2011	95	0
Net plan assets of pension plans as of Dec. 31, 2011	15	0

Notes to the consolidated statement of financial position

Reconciliation to pension provisions

	12/31/2011 € m	12/31/2010 € m
Defined benefit obligation (unfunded plans)	46	45
Unrecognized past actuarial gains / losses	2	2
Unrecognized past service cost	0	0
Pension provisions as of Dec. 31, 2011	48	47

Planned payments from pension provisions

	Pension provisions
	€ m
2012	11
2013	10
2014	10
2015	11
2016	10
2017 - 2021	54

The amount of the obligation changes each year by the interest cost and the present value of newly earned pension entitlements (current service cost). Past service cost is the redemption amount for changes to pension plans in previous periods. ING-DiBa accounts for amounts resulting from actuarial gains or losses according to the 10 percent corridor method under IAS 19 and amortizes them over the remaining working lives of the active employees with pension entitlements.

All expenses related to this item were recognized under personnel expenses (note 38).

Transfers of pension entitlements as a result of changes of employer are recognized under other changes.

Calculation parameters for the weighted average

	12/31/2011	12/31/2010
	%	%
Imputed interest rate	4.8	5.1
Salary growth	3.0	3.0
Pension adjustments	2.0	2.0
Inflation	2.0	2.0
Expected term return on plan assets	3.6	

In accordance with IAS 19.64, the amount of the obligation is determined using the projected unit credit method, taking dynamic variables into account.

The imputed interest rate is based on prime-rated government bonds with matching currencies and maturities. The basic biometric probabilities were taken from the 2005G mortality tables of Prof. Klaus Heubeck and, for the branch in Austria, the Pagler & Pagler AVÖ 1999P Actuarial Assumptions for Pension Insurance (Rechnungsgrundlagen für die Pensionsversicherung, AVÖ 1999P – Pagler & Pagler). Salary growth, turnover, and retirement patterns were estimated specifically for each company.

Expenses for pensions

	2011 € m	2010 € m
Current service cost	1	1
Past service costs	0	0
Interest cost	4	2
Amortization of unrecognized past service cost	0	0
Amortization of unrecognized actuarial gains / losses	-1	0
Total recognized personnel expenses	4	3
Expected Return on plan assets	1	0
Total	5	3

Obligation for other non-current personnel provisions

	12/31/2011 € m	12/31/2010 € m
Anniversaries	2	2
Partial retirement (liability)	2	2
Death benefits	0	0
Total	4	3

Notes to the consolidated statement of financial position

Payments from this item are based on legal requirements or internal bank agreements.

A reimbursement amount of less than EUR 1 million is expected under the German Partial Retirement Act (Altersteilzeitgesetz).

Information on payments to related parties can be found in note 29.

(21) Other liabilities

	12/31/2011	12/31/2010
	€ m	€m
Accrued interest on deposits from banks	4	0
Accrued interest on amounts due to customers	2	0
Accrued interest on securitized liabilites	7	0
Accrued interest on hedging derivatives	485	480
Accrued interest on other derivatives	65	125
Other accrued interest	0	5
Other liabilities	646	515
Total	1,209	1,125

Other liabilities relate primarily to withholding taxes payable on behalf of our customers as well as the profit to be transferred to ING Deutschland GmbH.

4.6.4 Other disclosures relating to the consolidated statement of financial position

(22) Contractual maturities

Assets by remaining contractual maturity (carrying amounts)

	12/31/2011 on demand	12/31/2011 less than 1 month	12/31/2011 1 to 3 months	12/31/2011 3 to 12 months
	€ m	€ m	€m	€ m
Cash reserve	2,783	0	0	0
Loans and advances to banks	3,260	518	537	601
Loans and advances to customers	2,246	2,222	702	2,015
Adjustment to portfolio fair value hedges	0	1	1	15
Financial investments				
– Available-for-sale	20	0	310	320
- Held-to-maturity	0	235	305	903
Derivatives with positive fair value	0	0	1	18
Other assets	0	30	19	760
Remaining assets without determinable				
remaining contractual maturities	0	0	0	0
Total	8,309	3,006	1,875	4,631

	12/31/2011 1 to 5 years	12/31/2011 more than 5 years	12/31/2011 indefinite	12/31/2011 Total
	€ m	€ m	€ m	€ m
Cash reserve	0	0	0	2,783
Loans and advances to banks	875	0	0	5,791
Loans and advances to customers	21,018	46,529	0	74,732
Adjustment to portfolio fair value hedges	957	1,392	0	2,366
Financial investments				
– Available-for-sale	6,604	9,305	0	16,559
- Held-to-maturity	4,101	100	0	5,643
Derivatives with positive fair value	298	0	0	317
Other assets	4	382	0	1,195
Remaining assets without determinable remaining contractual maturities	0	0	92	92
Total	33,857	57,708	92	109,478

Other disclosures relating to the consolidated statement of financial position

	12/31/2010 on demand	12/31/2010 less than 1 month	12/31/2010 1 to 3 months	12/31/2010 3 to 12 months
	€ m	€m	€m	€m
Cash reserve	1,417		0	0
Loans and advances to banks	3,679	2,576	55	426
Loans and advances to customers	3,458	1,210	818	2,269
Adjustment to portfolio fair value hedges		0	1	17
Financial investments				
- Available-for-sale	0	533	324	752
- Held-to-maturity	0	280	520	646
Derivatives with positive fair value	0	0	1	38
Other assets	0	10	0	728
Remaining assets without determinable	-			
remaining contractual maturities	0	0	0	0
Total	8,554	4,609	1,719	4,876
	12/31/2010	12/31/2010	12/31/2010	12/31/2010
	1 to 5 years	more than 5 years	indefinite	Total
	€m	€m	€ m	€ m
Cash reserve	0	0	0	1,417
Loans and advances to banks	1,972	0	0	8,709
Loans and advances to customers	16,596	38,343	0	62,694
Adjustment to portfolio fair value hedges	601	1,046	0	1,665
Financial investments				
– Available-for-sale	5,712	5,855	0	13,177
- Held-to-maturity	5,305	348	0	7,099
Derivatives with positive fair value	292	79	0	411
Other assets	17	319	0	1,074
Remaining assets without determinable				
and a factor of a second control of the seco				0.7
remaining contractual maturities	0	0	87	87

The "Remaining assets without determinable remaining contractual maturities" item includes investment property, property and equipment, intangible assets and income tax assets.

Liabilities and items not recognized in the statement of financial position by remaining contractual maturity on the basis of undiscounted cash flows

		12/31/2011 on demand	12/31/2011 less than 1 month	12/31/2011 1 to 3 months
		€ m	€m	€ m
Securitized liabilities		0	0	0
Deposits from banks		167	790	144
Due to customers		68,430	5,288	5,612
Derivatives with negative fair value		0	31	198
Other financial liabilities		0	0	0
Other liabilities		0	39	1
Subtotal		68,597	6,148	5,954
Financial guarantees		138	0	125
Irrevocable loan commitments		2,975	0	145
Revocable loan commitments		1,799	0	0
Total		73,509	6,148	6,224
	12/31/2011	12/31/2011	12/31/2011	12 (21 (2011
				12/31/2011
	3 to 12 months	1 to 5 years	more than 5 years	12/31/2011 Total
	3 to 12 months € m			
Securitized liabilities		1 to 5 years	more than 5 years	Total
Securitized liabilities Deposits from banks	€ m	1 to 5 years € m	more than 5 years € m	Total € m
	€ m	1 to 5 years € m 524	more than 5 years € m	Total € m 538
Deposits from banks	€ m 14 333	1 to 5 years	more than 5 years € m 0 5,356	Total
Deposits from banks Due to customers	€ m 14 333 12,373	1 to 5 years	more than 5 years	Total € m 538 9,033 92,481
Deposits from banks Due to customers Derivatives with negative fair value	€ m 14 333 12,373 602	1 to 5 years € m 524 2,243 709 2,444	more than 5 years € m 0 5,356 68 1,092	Total
Deposits from banks Due to customers Derivatives with negative fair value Other financial liabilities	€ m 14 333 12,373 602 0	1 to 5 years € m 524 2,243 709 2,444 0	more than 5 years € m 0 5,356 68 1,092 0	Total € m 538 9,033 92,481 4,367 0
Deposits from banks Due to customers Derivatives with negative fair value Other financial liabilities Other liabilities	€ m 14 333 12,373 602 0 1,175	1 to 5 years € m 524 2,243 709 2,444 0 8	more than 5 years	Total € m 538 9,033 92,481 4,367 0 1,683
Deposits from banks Due to customers Derivatives with negative fair value Other financial liabilities Other liabilities	€ m 14 333 12,373 602 0 1,175	1 to 5 years € m 524 2,243 709 2,444 0 8	more than 5 years	Total € m 538 9,033 92,481 4,367 0 1,683
Deposits from banks Due to customers Derivatives with negative fair value Other financial liabilities Other liabilities Subtotal	€ m 14 333 12,373 602 0 1,175 14,496	1 to 5 years € m 524 2,243 709 2,444 0 8 5,929	more than 5 years € m 0 5,356 68 1,092 0 461 6,978	Total € m 538 9,033 92,481 4,367 0 1,683 108,102
Deposits from banks Due to customers Derivatives with negative fair value Other financial liabilities Other liabilities Subtotal Financial guarantees	€ m 14 333 12,373 602 0 1,175 14,496	1 to 5 years € m 524 2,243 709 2,444 0 8 5,929	more than 5 years	Total € m 538 9,033 92,481 4,367 0 1,683 108,102

Other disclosures relating to the consolidated statement of financial position $\label{eq:consolidated} \begin{tabular}{ll} \hline \end{tabular}$

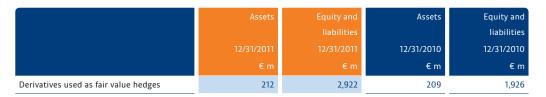
		12/31/2010 on demand	12/31/2010 less than 1 month	12/31/2010 1 to 3 months
		€m	€m	€m
Securitized liabilities	Securitized liabilities		0	0
Deposits from banks		97	109	25
Due to customers		62,627	4,125	7,316
Derivatives with negative fair value		0	39	248
Other financial liabilities		0	0	0
Other liabilities		0	23	0
Subtotal		62,724	4,296	7,589
Financial guarantees				0
Irrevocable loan commitments		2,803	0	164
Revocable loan commitments		0	0	0
Total		65,527	4,296	7,754
	12/31/2010	12/31/2010	12/31/2010	12/31/2010
	3 to 12 months	1 to 5 years	more than 5 years	Total
	€m	€m	€m	€m
Securitized liabilities	0	0	0	0
Deposits from banks	105	1,927	4,318	6,581
Due to customers	8,554	584	73	83,278
Derivatives with negative fair value	719	2,679	1,210	4,895
Other financial liabilities	0	0	0	0
Other liabilities	1,102	5	387	1,517
Subtotal	10,480	5,196	5,987	96,271
Financial guarantees	31	0	0	31
Irrevocable loan commitments	754	567	0	4,288
Revocable loan commitments	0	0	0	0
Total	11.264	5.763	5.987	100.590

(23) Hedge accounting

Hedge accounting is explained in the "Basis of presentation" section of this report.

Fair value hedges

The following table shows the fair values of derivatives held as part of fair value hedges.



Net measurement gains or losses on derivatives and hedged items are described in note 33.

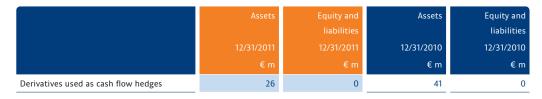
The interest accrued on hedging derivatives is reported under other assets (note 12) or under other liabilities (note 21).

The full fair value of derivatives, including accrued interest, as of December 31, 2011 amounted to EUR 290 million on the assets side (previous year: EUR 304 million) and EUR 3,407 million on the liabilities side (previous year: EUR 2,406 million).

The changes in fair value of hedged items in portfolio hedge accounting which are attributable to the hedged risk are presented in a separate item in the statement of financial position. These are explained under "Adjustment to portfolio fair value hedges" (note 4).

Cash flow hedges

The following table shows the fair values of derivatives held as part of cash flow hedges.



The interest accrued on hedging derivatives is reported under other assets (note 12) or under other liabilities (note 21).

Other disclosures relating to the consolidated statement of financial position

The full fair value of derivatives, including accrued interest, as of December 31, 2011 amounted to EUR 58 million on the assets side (previous year: EUR 84 million) and EUR 0 million on the liabilities side (previous year: EUR 0 million).

Hedged cash flows

The following table shows the periods in which hedged cash flows are expected to occur and when these are expected to become effective.

2011 € m	less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years
Inflow	0.0	23.5	41.4	36.0	2.8	0.7	0.0	0.0
Outflow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	0.0	23.5	41.4	36.0	2.8	0.7	0.0	0.0
2010	less than	1 to 3	3 to 12	1 to 2	2 to 3	3 to 4	4 to 5	more than
€m	1 month	months	months	years	years	years	years	5 years
Inflow	5.1	28.3	42.1	60.0	29.7	2.0	0.0	0.0
Outflow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	5.1	28.3	42.1	60.0	29.7	2.0	0.0	0.0

Cash flow hedge reserves

The following table shows the cash flow hedge reserves under equity. Note 13 provides information on changes in the revaluation reserve.



Cash flow hedge ineffectiveness

Cash flow hedge ineffectiveness impacted profit or loss as follows:



(24) Financial instruments transferred and pledged as collateral

Financial instruments transferred yet not derecognized

ING-DiBa continues to hold the securities transferred as part of repo and securities lending transactions in its statement of financial position. Since dated return and repurchase agreements are in place for the transferred assets, ING-DiBa continues to bear the associated risks and rewards. The risks are described in the Group management report.

	12/31/2011	12/31/2010
	€m	€m
Repo transactions	1,103	101
Available-for-sale	935	0
Held-to-maturity	168	101
Securites lending	0	1,102
Available-for-sale	0	1,041
Held-to-maturity	0	61
Used for refinancing in the European Central Bank System	1,067	303
Available-for-sale	1,005	297
Held-to-maturity	62	6
EUREX margin collateral	22	31
Available-for-sale	1	31
Held-to-maturity	21	0
Total transferred	2,192	1,537

The AfS and HtM instruments reported here are recognized under financial investments in the statement of financial position (note 5).

Securities lending transactions were exclusively entered into with companies of the ING Group.

The transactions with the European Central Bank System do not deviate from the procedure commonly used.

The repo transactions reported here have corresponding liabilities due to banks (note 15) amounting to EUR 730 million (December 31, 2010: EUR 109 million) and amounts due to customers (note 16) amounting to EUR 390 million (December 31, 2010: EUR 0 million).

Other disclosures relating to the consolidated statement of financial position

Recognition in the amount of the continuing involvement

As part of a sub-participation agreement relating to the corporate customer business, the Bank transferred EUR 70 million in receivables (previous year: EUR 0 million), of which a continuing involvement of EUR 3 million (December 31, 2010: EUR 0 million) continues to be recognized under loans and advances to customers (note 3). This is offset correspondingly by EUR 3 million (December 31, 2010: EUR 0 million) which is reported in deposits from banks (note 15).

Financial instruments pledged as collateral

	12/31/2011 € m	12/31/2010 €m
Total AfS financial investments	16,559	13,178
of which pledged as collateral	1,940	1,369
Total HtM financial investments	5,643	7,099
of which pledged as collateral	251	168
Total LaR	83,228	72,728
of which pledged as collateral	6,969	3,844
Total transferred	9,161	5,381

Further information on AfS and HtM financial instruments is contained in the section entitled "Financial instruments transferred yet not derecognized" in this note.

Private mortgage loans serve as collateral cover for the Pfandbrief issued for the first time in 2011. The carrying amount of the private mortgage loans entered into the funding register was EUR 2,265 million as of December 31, 2011 (December 31, 2010: EUR 0 million). They are reported under loans and receivables here. The loans of the cover pool comprise part of the "Loans and advances to customers" item (note 3). In addition, a loan against borrower's notes for EUR 35 million (December 31, 2010: EUR 0 million) was transferred as collateral.

Loans and receivables include cash collateral for derivatives of EUR 3,056 million (December 31, 2010: EUR 2,194 million), of which EUR 3,030 million (December 31, 2010: EUR 2,170 million) was attributable to loans and advances to banks (note 2) and EUR 27 million (December 31, 2010: EUR 24 million) to loans and advances to customers (note 3).

EUR 0 million in cash collateral pledged in respect of repo transactions was included in loans and receivables (December 31, 2010: EUR 4 million). On the reporting dates, they were related in full to loans and advances to banks (note 2). The basis for the repo transactions is primarily the framework agreement for securities repurchase transactions (repos) of the Bundesverband deutscher Banken (Association of German Banks) and the

Banking Federation of the European Union Master Agreement for Financial Transactions/ Transactions under Repurchase Agreements.

The loans and advances to customers (note 3) included a volume of EUR 1,648 million (December 31, 2010: EUR 1,646 million) pledged as collateral as part of transactions with the KfW development bank (Kreditanstalt für Wiederaufbau). They are also a component of the loans and receivables category.

In relation to the collateral listed, there are no clauses or conditions that are of material importance when considered separately.

(25) Contingent liabilities

Contingent liabilities are items not recognized in the statement of financial position, as specified in IAS 37. They relate primarily to irrevocable loan commitments to customers in the mortgage area (forward loans).

The integration of the German branch of ING Bank N.V. gave rise to the addition of contingent liabilities from the corporate customer business during the reporting year. These include irrevocable and revocable loan commitments, guarantees and letters of credit.

The expected disbursements for irrevocable and revocable loan commitments are presented below. These correspond to the contractually stipulated maximum amounts. The same applies for letters of credit. The maximum amount in the case of guarantees is the amount drawn down.

As part of the spin-off of the former Frankfurt branch of ING Bank N.V. from ING Bank N.V., Amsterdam, to Conifer B.V. and the subsequent merger with ING-DiBa, ING-DiBa assumed Conifer B.V.'s statutory secondary liability to the creditors of ING Bank N.V. This statutory secondary liability exists pursuant to Art. 2:334t of the Civil Code of the Netherlands and is enforceable with respect to certain obligations of ING Bank N.V. existing on the effective date of the spin-off (August 31, 2011).

With regard to the scope of liability, a distinction must be drawn between joint and several obligations. Joint obligations of ING Bank N.V. are subject to the joint liability of ING-DiBa and ING Bank N.V. The secondary liability in respect of the several obligations is limited to the value of the net assets of the Frankfurt branch of ING Bank N.V. as of the date of the spin-off to Conifer B.V.

The term of this liability is unlimited and expires only upon the extinguishment of the relevant obligation. In this context, it is not practical to make the disclosures required in accordance with IAS 37.86.

Other disclosures relating to the consolidated statement of financial position

Contingent Liabilities

		12/31/2011	12/31/2011	12/31/2011
		on demand	less than 1 month	1 to 3 months
		€m	€m	€ m
Irrevocable loan commitments		2,975	0	145
Revocable loan commitments		1,799	0	0
Guarantees and letters of credit		304	0	118
Other transactions		0	0	0
Total		5,079	0	263
	12/31/2011	12/31/2011	12/31/2011	12/31/2011
	3 to 12 months	1 to 5 years	more than 5 years	Total
	€ m	€m	€ m	€m
Irrevocable loan commitments	582	3,338	205	7,246
Revocable loan commitments	19	53	15	1,886
Guarantees and letters of credit	140	233	18	813
Other transactions	0	0	0	0
Total	741	3,624	238	9,944
		12/31/2010 on demand	12/31/2010 less than 1 month	12/31/2010 1 to 3 months
			iess than i month	I to 3 Illulities
Irrevocable loan commitments		€m	€m	€m
		2,803	0	164
Revocable loan commitments		2,803	0	164
Guarantees and letters of credit		2,803 0	0 0	164 0
Guarantees and letters of credit Other transactions		2,803 0 0 0	0 0 0	164 0 0
Guarantees and letters of credit		2,803 0	0 0	0 0
Guarantees and letters of credit Other transactions	12.02/2010	2,803 0 0 0 2,803	0 0 0 0	164 0 0 0 0
Guarantees and letters of credit Other transactions	12/31/2010 3 to 12 months	2,803 0 0 0 2,803	0 0 0 0 0 0	164 0 0 0 164
Guarantees and letters of credit Other transactions	3 to 12 months	2,803 0 0 0 2,803 12/31/2010 1 to 5 years	0 0 0 0 0 12/31/2010 more than 5 years	164 0 0 0 164 12/31/2010 Total
Guarantees and letters of credit Other transactions Total	3 to 12 months	2,803 0 0 0 2,803 12/31/2010 1 to 5 years € m	0 0 0 0 0 12/31/2010 more than 5 years € m	164 0 0 0 164 12/31/2010 Total € m
Guarantees and letters of credit Other transactions Total Irrevocable loan commitments	3 to 12 months € m 754	2,803 0 0 0 2,803 12/31/2010 1 to 5 years € m	0 0 0 0 0 12/31/2010 more than 5 years € m	164 0 0 0 164 12/31/2010 Total € m 4,288
Guarantees and letters of credit Other transactions Total Irrevocable loan commitments Revocable loan commitments	3 to 12 months	2,803 0 0 0 2,803 12/31/2010 1 to 5 years € m 567 0	0 0 0 0 0 12/31/2010 more than 5 years € m 0	164 0 0 0 164 12/31/2010 Total € m 4,288
Guarantees and letters of credit Other transactions Total Irrevocable loan commitments Revocable loan commitments Guarantees and letters of credit	3 to 12 months	2,803 0 0 0 2,803 12/31/2010 1 to 5 years € m 567 0	0 0 0 0 0 12/31/2010 more than 5 years € m 0	164 0 0 0 164 12/31/2010 Total € m 4,288 0
Guarantees and letters of credit Other transactions Total Irrevocable loan commitments Revocable loan commitments	3 to 12 months	2,803 0 0 0 2,803 12/31/2010 1 to 5 years € m 567 0	0 0 0 0 0 12/31/2010 more than 5 years € m 0	164 0 0 0 164 12/31/2010 Total € m 4,288

(26) Litigation

The outcomes of pending litigation are not expected to have any material adverse effect on the net assets, financial position and results of operations in excess of the amounts already recognized for litigation risks under non-current provisions.

(27) Future lease obligations

	Future minimum lease payments € m
2012	16
2013	12
2014	7
2015	14
2016	13
in years following 2016	112

Total rental and lease expenses amounted to EUR 19 million in fiscal year 2011 (previous year: EUR 17 million). Of that amount, EUR 17 million (previous year: EUR 17 million) was attributable to minimum lease payments and EUR 2 million (previous year: EUR 0 million) was attributable to contingent lease payments.

Operationally material are lease agreements for ATMs and for business premises or office buildings. Most of the agreements in question specify fixed terms or minimum lease terms, for which fixed rental or lease amounts have to be paid. Some of the rentals for buildings used for business operations are linked to consumer price indices, while some of the lease payments for ATMs are linked to a reference interest rate.

The lease agreements for ATMs are usually non-full payout leases with sale options at no less than the market price. Renewal options are granted subject to different lease payments.

Some of the leases for office buildings are for fixed terms, often granting renewal options, in turn for a fixed term. Other leases are for indefinite terms. They do not normally include a sale option.

Neither building nor ATM leases impose restrictions that could impact the capital structure, profit or loss, or other lease agreements of the Company.

Other disclosures relating to the consolidated statement of financial position

(28) Securitization

Pure German Lion

On December 1, 2008, the single entity ING-DiBa AG transferred a portfolio of mortgage loans with a nominal volume of EUR 4.7 billion to a special purpose entity, Pure German Lion RMBS 2008 GmbH, Frankfurt am Main, to let this entity securitize them in the form of residential mortgage backed securities (RMBSs).

The special purpose entity is fully consolidated in the consolidated financial statements on the basis of SIC-12. ING-DiBa does not hold any equity interest in the entity. The full consolidation has resulted in a non-controlling interest of EUR 25 thousand being reported.

All securities under this securitization transaction are held by ING-DiBa AG and fully eliminated in consolidation.

(29) Related parties

Related persons

Total compensation paid to active members of executive bodies (key management personnel)

	12/31/2011 € m	12/31/2010 € m
Current compensation	3	3
Pensions	0	0
Other long-term remuneration	2	3
Severance packages	0	0
Share-based payments	0	0
Total compensation	5	6

Key management personnel as defined by IFRS comprises the active members of the Management Board and Supervisory Board.

Total compensation paid to the Management Board and Supervisory Board amounted to EUR 4.8 million in fiscal year 2011 (previous year: EUR 6.0 million).

EUR 3.8 million of the total compensation paid related to the executive activities of Management Board members (previous year: EUR 5.5 million) and EUR 0.7 million related to the executive activities of Supervisory Board members (previous year: EUR 0.5 million).

The current compensation includes all fixed and variable components, provided they were paid in the 12-month period.

Share-based payments to the Management Board and Supervisory Board

In the periods under review, the members of the Management Board and Supervisory Board received share-based payments in the amounts presented below. The weighted average of the fair values was determined as of the date of the legally binding commitment. No subsequent changes in value were recognized, because the exercise terms and conditions had not been changed. A new program was launched in fiscal year 2011. The description of this new program can be found under note 38.

Share-based payments to active members of executive bodies

	Amount	Fair value at grant date (in €)	Amount	Fair value at grant date (in €)
	2011	2011	2010	2010
Options	0	0	134,930	441,221
Performance shares, deferred shares	124,587	1,165.719	52,917	497,420

Total compensation paid to former members of executive bodies

Total compensation paid to former members of executive bodies amounted to EUR 0.9 million in fiscal year 2011 (previous year: EUR 0.7 million).

Other related party disclosures

The total amount of loans granted to members of the Management Board and Supervisory Board amounted to EUR 1.9 million as of December 31, 2011 (previous year: EUR 2.5 million); loans granted to members of the Supervisory Board amounted to EUR 71 thousand as of the same date (previous year: EUR 515 thousand). These loans are the Bank's products and were granted at standard market terms and conditions. No contingent liabilities had been entered into in connection with key management personnel, either as of December 31, 2011 or the end of the previous year's reporting period.

Other disclosures relating to the consolidated statement of financial position

Related companies

Business relationships with parent companies

In addition to the companies included in the Group, ING-DiBa AG also has business relationships with parent and sister companies in the ING Group.

ING-DiBa AG's immediate parent is ING Deutschland GmbH, Frankfurt am Main, which holds a 100 percent interest. The ultimate parent company of the entire ING Group is ING Groep N.V., Amsterdam (Netherlands).

In addition to the companies named, the following companies are parent companies to ING-DiBa AG:

- ▶ ING Bank N.V., Amsterdam (Netherlands)
- ING Direct N.V., Hoofddorp (Netherlands)
- ▶ ING Deutschland GmbH, Frankfurt am Main (Germany)
- ▶ ING Holding Deutschland GmbH, Frankfurt am Main (Germany)

	12/31/2011	12/31/2010
	€ m	€m
ING Groep N.V.		
Loans and advances	0	
Deposits	0	0
Loan commitments	0	0
Income	0	0
Expenses	0	0
ING Bank N.V.		
Loans and advances	7,900	2,020
Deposits	0	0
Loan commitments	0	0
Income	309	47
Expenses	6	2
ING Direct N.V.		
Loans and advances	418	410
Deposits	1	1
Loan commitments	0	0
Income	8	7
Expenses	10	11
ING Deutschland GmbH		
Loans and advances	0	0
Deposits	467	389
Loan commitments	0	0
Income	0	0
Expenses	2	1
ING Holding Deutschland GmbH		
Loans and advances	0	0
Deposits	333	0
Loan commitments	0	0
Income	0	0
Expenses	3	2

All transactions with parent companies were conducted at standard market terms and conditions.

In fiscal year 2011, EUR 5 billion in intra-Group RMBS securities were acquired from ING Bank N.V. The loans and advances to and income from ING Direct N.V. are primarily the result of money market transactions.

The liabilities and expenses with respect to ING Deutschland relate primarily to the provision of long-term funds for financing purposes.

Other disclosures relating to the consolidated statement of financial position

The expense relating to ING Direkt N.V. reflects the provision of services to ING-DiBa AG.

The transfer of profit under HGB is explained in note 13.

Business relationships with other Group companies not included in the basis of consolidation

In the year under review, there were business relationships primarily with the following companies included in the consolidated financial statements of ING Groep N.V.:

- ING Financial Markets, Amsterdam
- ING Securities Services, Amsterdam
- ING Wholesale, Amsterdam
- ING Direct Spain, Madrid
- ING Direct Italy, Milan
- ING Direct USA, Wilmington
- Interhyp AG, Munich
- ING London Treasury, London
- ING Belgium, Brussels
- ING Lease Germany, Norderstedt
- ING Commercial Finance, Neuss
- ▶ ING Domestic Bank Nederlands, Amsterdam
- ▶ ING Commercial Finance Belgium, Brussels
- Real Estate Dev Germany, Frankfurt am Main

	12/31/2011 € m	12/31/2010 € m
	€ 111	€ 111
Loans and advances	857	301
Deposits and amounts due	1,033	625
Loan commitments	204	0
Income	16	5
Expenses	49	45

Most of the volume is attributable to transactions with ING Direct Spain, Madrid, and Interhyp AG, Munich and ING Wholesale, Amsterdam. Money market transactions were entered into with these companies.

A significant proportion of transactions with Interhyp AG, Munich, consists of commission expenses for brokering mortgage loans.

In the ordinary course of business, all transactions for the provision of goods and services entered into with related parties were conducted on an arm's length basis at standard market terms and conditions.

No allowances or provisions were recognized for doubtful accounts.

Other disclosures relating to the consolidated statement of financial position

(30) Fair value reporting: financial instruments

Disclosures in accordance with IFRS 7.8 and IFRS 7.25

The following table provides an overview of the carrying amounts and fair values of financial instruments held in the individual items of the statement of financial position:

	Fair value	Carrying amount
	12/31/2011	12/31/2011
	€m	€ m
Financial assets	116,461	108,938
HtM financial investments	5,645	5,643
Other HtM financial investments ¹	168	168
HtM	5,813	5,811
AfS financial investments	16,559	16,559
of which equity investments	3	3
Other AfS financial investments ¹	301	301
AfS	16,860	16,860
Other derivatives with positive fair value	80	80
Other derivative assets ¹	52	52
FVTPL	132	132
Cash	78	78
Hedging derivatives	237	237
Adjustment to portfolio fair value hedges	2,366	2,366
Other derivative hedging assets ¹	110	110
Financial instruments not categorized under IAS 39	2,791	2,791
Balances with central banks	2,705	2,705
Loans and advances to banks	6,110	5,791
Loans and advances to customers	81,935	74,732
Other receivables from banks ¹	28	28
Other receivables from customers (ABS / MBS) ¹	86	86
LaR	90,864	83,343

Continued on next page

continued	Fair value	Carrying amount
	12/31/2011	12/31/2011
	€m	€ m
Financial liabilities	104,630	102,878
Other derivatives with negative fair value	81	81
Other derivative liabilities ¹	65	65
FVTPL	146	146
Hedging derivatives	2,922	2,922
Other hedging derivative liabilities ¹	485	485
Financial instruments not categorized under IAS 39	3,407	3,407
Securitized liabilities	518	497
Other securitized liabilities	7	7
Deposits from banks	8,641	7,955
Due to customers	91,904	90,860
Other liabilities to banks and customers ¹	6	6
Financial liabilities	101,076	99,325

 $^{^{\}scriptsize{1}\!\scriptsize{)}}$ Relates to accrued interest disclosed separately under other assets or other liabilities

Other disclosures relating to the consolidated statement of financial position

Financial assets 98,422 95,869 HtM financial investments 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,099 7,233 7,233 7,099 7,233 7,233 7,099 7,233 7,2		Fair value	Carrying amount
Financial assets 98,420 95,869 Htth financial investments 7,233 7,099 Other Htth financial investments¹ 192 192 Htth 7,425 7,293 ATS financial investments 13,178 13,178 of which equity investments 1 1 of which equity investments¹ 254 254 ATS 13,432 13,432 13,432 Other ATS financial investments¹ 254 254 ATS 13,432 13,432 13,432 Other derivatives with positive fair value 168 108 FVTPL 269 269 Cash 92 92 Hedging derivatives 1,655 1,655 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to customers 65,118 62,694 Other receivables from customers (ABS / MBS)¹ 6 6		12/31/2010 € m	12/31/2010 € m
Htm financial investments 7,233 7,099 Other Htm financial investments¹ 192 192 HTM 7,425 7,291 AlS financial investments 13,78 13,782 Of which equity investments 1 1 1,73 Of which equity investments¹ 254 254 AlS 13,432 13,432 13,432 Other derivatives with positive fair value 161 161 Other derivatives assets¹ 108 108 VFPL 269 92 Edging derivatives 250 250 Cash 92 92 Hedging derivatives hedging assets¹ 1337 137 Financial instruments not categorized under IAS 39 2,14 2,14 Balances with central banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 Ear 75,153 72,734 <	Financial assets		
HtM 7,425 7,291 AIS financial investments 13,178 13,178 of which equity investments 1 1 Other AIS financial investments¹ 254 254 AIS 13,432 13,432 Other derivatives with positive fair value 161 161 Other derivative assets¹ 108 108 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 166 565 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Cher receivables from banks¹ 6,16 6 Other receivables from customers (ABS / MBS)¹ 6 6 Cher receivables from customers (ABS / MBS)¹ 6 6 LaR 7,515 72,734 Financial liabilities 125 125 Cher derivatives with negative fair value 6 6 O			
Af5 financial investments 13,178 13,178 of which equity investments 1 1 Other Af5 financial investments¹ 254 254 Af5 13,432 13,432 Other derivatives with positive fair value 161 161 Other derivative assets¹ 108 108 FVFIPL 269 269 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 8,704 8,709 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,133 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 <t< td=""><td>Other HtM financial investments¹</td><td>192</td><td></td></t<>	Other HtM financial investments ¹	192	
of which equity investments 1 1 Other AfS financial investments¹ 254 254 AfS 13,432 13,432 Other derivatives with positive fair value 161 161 Other derivative assets¹ 108 108 FVPL 269 269 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 8,704 8,709 Loans and advances to banks 8,709 8,709 Loans and advances to customers 65,118 62,694 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Cher derivatives with negative fair value 165 165 Other derivatives liabilities¹ 1,926 1,926 <t< td=""><td>HtM</td><td>7,425</td><td>7,291</td></t<>	HtM	7,425	7,291
Other AfS financial investments¹ 254 254 AfS 13,432 13,432 Other derivatives with positive fair value 161 161 Other derivative assets¹ 108 108 FVTPL 269 269 Cash 92 92 Hedging derivatives 250 250 Other derivative hedging assets¹ 165 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivative liabilities¹ 125 125 FVPL 290 290 Hedging derivative liabilities¹ 1,926 1,926 Other hedging derivative liabilities¹	AfS financial investments	13,178	13,178
AFS 13,432 13,432 Other derivatives with positive fair value 161 161 Other derivative assets¹ 108 108 FVTPL 269 269 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 8,704 8,709 Loans and advances to banks 8,704 8,709 Cher receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivatives with negative fair value 165 165 Other hedging derivative liabilities¹ 12 20 Other hedging derivative liabilities¹ 480 480	of which equity investments	1	1
Other derivatives with positive fair value 161 161 Other derivative assets¹ 108 108 FVTPL 269 269 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 8,704 8,709 Loans and advances to banks 8,704 8,709 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 290 290 FVTPL 290 190 Hedging derivative liabilities¹ 480 480 <tr< td=""><td>Other AfS financial investments¹</td><td>254</td><td>254</td></tr<>	Other AfS financial investments ¹	254	254
Other derivative assets¹ 108 108 FVTPL 269 269 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivatives with negative fair value 165 165 Other hedging derivative liabilities¹ 290 290 Hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 <th< td=""><td>AfS</td><td>13,432</td><td>13,432</td></th<>	AfS	13,432	13,432
FVTPL 269 269 Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivatives with negative fair value 165 125 Other hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities <t< td=""><td>Other derivatives with positive fair value</td><td>161</td><td>161</td></t<>	Other derivatives with positive fair value	161	161
Cash 92 92 Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivatives with negative fair value 165 165 Other derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities <td>Other derivative assets¹</td> <td>108</td> <td>108</td>	Other derivative assets ¹	108	108
Hedging derivatives 250 250 Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Ocher securitized liabilities	FVTPL	269	269
Adjustment to portfolio fair value hedges 1,665 1,665 Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivative liabilities¹ 480 480 Other hedging derivative liabilities¹ 480 2,406 Securitized liabilities 0 0 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185	Cash	92	92
Other derivative hedging assets¹ 137 137 Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivative liabilities¹ 480 480 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 5	Hedging derivatives	250	250
Financial instruments not categorized under IAS 39 2,144 2,144 Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilitities to banks and customers¹ 5	Adjustment to portfolio fair value hedges	1,665	1,665
Balances with central banks 1,325 1,325 Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Other derivative hedging assets ¹	137	137
Loans and advances to banks 8,704 8,709 Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Financial instruments not categorized under IAS 39	2,144	2,144
Loans and advances to customers 65,118 62,694 Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Balances with central banks	1,325	1,325
Other receivables from banks¹ 0 0 Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Loans and advances to banks	8,704	8,709
Other receivables from customers (ABS / MBS)¹ 6 6 LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Loans and advances to customers	65,118	62,694
LaR 75,153 72,734 Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Other receivables from banks ¹	0	0
Financial liabilities 89,270 90,594 Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Other receivables from customers (ABS / MBS) ¹	6	6
Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	LaR	75,153	72,734
Other derivatives with negative fair value 165 165 Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5			
Other derivative liabilities¹ 125 125 FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Financial liabilities	89,270	90,594
FVTPL 290 290 Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Other derivatives with negative fair value	165	165
Hedging derivatives 1,926 1,926 Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Other derivative liabilities ¹	125	125
Other hedging derivative liabilities¹ 480 480 Financial instruments not categorized under IAS 39 2,406 Securitized liabilities 0 0 0 Other securitized liabilities 0 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	FVTPL	290	290
Financial instruments not categorized under IAS 39 2,406 2,406 Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Hedging derivatives	1,926	1,926
Securitized liabilities 0 0 Other securitized liabilities 0 0 Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Other hedging derivative liabilities ¹	480	480
Other securitized liabilities00Deposits from banks6,1855,670Due to customers80,38482,223Other liabilities to banks and customers¹55	Financial instruments not categorized under IAS 39	2,406	2,406
Deposits from banks 6,185 5,670 Due to customers 80,384 82,223 Other liabilities to banks and customers¹ 5 5	Securitized liabilities	0	0
Due to customers 80,384 82,223 Other liabilities to banks and customers 5 5	Other securitized liabilities	0	0
Other liabilities to banks and customers ¹ 5 5	Deposits from banks	6,185	5,670
	Due to customers	80,384	82,223
Financial liabilities 86,574 87.898	Other liabilities to banks and customers ¹	5	5
	Financial liabilities	86,574	87,898

¹⁾ Relates to accrued interest disclosed separately under other assets or other liabilities

The fair values of the financial instruments reported collectively in the cash reserve – cash balance and balances with central banks – correspond to the respective carrying amounts.

For financial instruments listed on an active market, the relevant prices are used in determining fair values.

For financial instruments for which no active market is available, the fair values are determined using recent transactions or an indicative quote by a market maker may be used. Alternatively, the fair values are determined for each product by discounting the expected future cash flows to present value using current interest rates, applying the relevant yield or swap curve and taking product-specific spreads or credit spreads into account.

The AfS item contains a small amount of immaterial equity investments in companies which are measured at cost and thus subject to an exception. They are not listed on a stock exchange, meaning that it is not possible to reliably measure their fair value. No sale of these equity investments is planned for the coming fiscal year.

If the securities and loans against borrower's notes being measured are illiquid instruments, a manual spread is determined on the basis of observable market data and used to determine present value. Loans against borrower's notes are recognized under loans and advances to banks and loans and advances to customers.

If it is not possible to sufficiently determine a market price of ABSs due to inactive markets, recent transactions or an indicative quote by a market maker may be used as the basis for calculating their fair value. If no plausible fair values can be derived from this process, the security is modeled as a bullet bond and measured using the discounted cash flow method. In this process, the maturity corresponds to a conservatively estimated date of full redemption; the coupon corresponds to the actual interest rate. A spread was modeled as a suitable value based on parameters which were observable on the market.

It is assumed that the fair values of irrevocable loan commitments and financial guarantees correspond to their carrying amounts.

Other disclosures relating to the consolidated statement of financial position

Fair value hierarchy

The table below comprises all financial instruments measured at their fair values in the statement of financial position. Fair values are broken down into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Modeled prices, except for the quoted prices included in Level 1, determined on the basis of data that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Prices modeled for the asset or liability that are not based on observable market data (unobservable input data).

	Level 1 12/31/2011	Level 2 12/31/2011	Level 3	Total 12/31/2011
	12/31/2011 € m	12/31/2011 € m	12/31/2011 € m	12/31/2011 € m
Assets				
Other derivatives with positive fair value	0	80	0	80
Other derivative assets	0	52	0	52
Hedging derivatives	0	237	0	237
Other derivative hedging assets	0	110	0	110
AfS financial investments	9,140	7,419	0	16,559
Other AfS financial investments	167	134	0	301
Total	9,307	8,032	0	17,339
Equity and liabilities				
Other derivatives with negative fair value	0	81	0	81
Other derivative liabilities	0	65	0	65
Hedging derivatives	0	2,922	0	2,922
Other hedging derivative liabilities	0	485	0	485
Total	0	3,553	0	3,553

	Level 1 12/31/2010 € m	Level 2 12/31/2010 € m	Level 3 12/31/2010 € m	Total 12/31/2010 € m
Assets				
Other derivatives with positive fair value	0	161	0	161
Other derivative assets	0	108	0	108
Hedging derivatives	0	250	0	250
Other derivative hedging assets	0	137	0	137
AfS financial investments	9,038	4,139	0	13,177
Other AfS financial investments	205	49	0	254
Total	9,243	4,844	0	14,087
Equity and liabilities				
Other derivatives with negative fair value	0	165	0	165
Other derivative liabilities	0	125	0	125
Hedging derivatives	0	1,926	0	1,926
Other hedging derivative liabilities	0	480	0	480
Total	0	2,697	0	2,697

In fiscal year 2011, EUR 115 million (previous year: EUR 0 million) in available-for-sale financial investments shifted from fair value measurement Level 2 to Level 1. EUR 2,685 million (previous year: EUR 445 million) in available-for-sale financial investments shifted from fair value measurement Level 1 to Level 2. This resulted in EUR 75 million in accrued interest reported under other assets shifting from Level 1 to Level 2 (previous year: EUR 5 million). EUR 0 million (previous year: EUR 0 million) was reclassified from Level 2 to Level 1. Reclassifications between levels resulted from changes in market conditions.

Notes to the consolidated income statement

4.6.5 Notes to the consolidated income statement

(31) Net interest income

	2011	2010
	€ m	€m
Interest income		
Interest income from lending transactions	2,978	2,574
Total interest income from lending transactions	2,978	2,574
Interest income from available-for-sale securities	425	381
Interest income from held-to-maturity securities	256	346
Interest income from other derivatives	100	175
Other interest income	- 643	- 750
Total interest income	3,116	2,726
Interest expense		
Interest expenses on deposits from banks	- 204	- 156
Interest expenses on amounts due to customers	- 1,459	- 1,228
Interest expenses on securitized liabilities	- 7	0
Interest expenses on other derivatives	- 114	- 213
Other interest expenses	- 6	- 2
Total interest expenses	- 1,790	- 1,598
Net interest income	1,326	1,128

Interest income from the lending business with customers continued to perform well.

The corporate customer business acquired in the course of the integration of the German branch of ING Bank N.V. contributed EUR 18 million to net interest income in the last four months of the fiscal year.

In each of the periods under review, interest income from loans on which allowances had been recognized amounted to EUR 0 million (previous year: EUR 0 million).

Other interest income includes interest income from hedging derivatives. Since the hedging derivatives serve to hedge against interest rate risks in the lending business, the interest expense on the hedging derivatives is reported together with interest income on the hedged item within the interest income item.

Overall, interest income increased by EUR 390 million during the reporting period.

The increase in interest expenses from amounts due to customers amounting to approximately EUR 231 million was attributable primarily to improved conditions for our customers and the continued positive development of deposit volumes.

Interest expenses in relation to securitized liabilities relate to the Pfandbrief issued for the first time in financial year 2011.

Overall, net interest income increased by EUR 198 million.

(32) Net commission income

	2011 € m	2010 € m
Commission income	e III	em
Payment transactions	32	44
Securities business	107	93
Other fees and commissions	7	3
Fee and commission income	146	139
Commission expense		
Payment transactions	25	20
Securities business	19	20
Other fees and commissions	61	57
Fee and commission expense	105	96
Net commission income	41	43

Net commission income in the payment transactions business relates primarily to account management and processing of ATMs.

The securities business item represents customer brokerage services. The increase in net commission income is attributable to an increase in trading activity.

Other fees and commissions have included fee income for loan processing in the corporate customer business for the last four calendar months of the fiscal year following the integration of the German branch of ING Bank N.V.

Overall, net commission income has remained largely stable.

Notes to the consolidated income statement

(33) Net gains/losses on measurement of derivatives and hedged items

	2011 € m	2010 € m
Changes in fair value of		
derivatives used in fair value hedges	- 1,003	- 88
derivatives used in cash flow hedges (ineffective portion)	- 1	1
other derivatives	12	21
Changes in fair value, net	- 992	- 66
Changes in the fair values of the hedged items that relate to the hedged risk	963	87
Total	- 29	21

Given the change in market practices relating to the measurement of secured derivatives, ING-DiBa used the overnight indexed swap (OIS) curve for discounting in fiscal year 2011, rather than the EURIBOR interest rate curve used previously. The remeasurement of secured derivatives resulted in a EUR 45 million reduction in net gains/losses.

The increase in fair value changes of derivatives and hedged items was attributable to the significant drop in the yield curve during the measurement period and an increase in the volume of hedges. The net gains/losses on derivatives that do not qualify for hedge accounting under IFRS amount to EUR 12 million (previous year: EUR 21 million). For more information on hedge accounting, refer to note 23.

(34) Other net gains/losses on financial investments and investment property

	2011 € m	2010 € m
Net income from investment property	1	0
Changes in value of investment property	- 1	0
Net gain / loss on investment property	- 0	0
Net gain / loss on disposal of equity investments	0	0
Impairments on equity investments	0	0
Dividends	0	0
Net profit / loss on equity investments	0	0
Impairments of available-for-sale financial investments	- 136	0
Net gain / loss on disposal of available-for-sale financial investments	- 21	- 32
Net profit / loss on available-for-sale financial investments	- 157	- 32
Net gain / loss on disposal of held-to-maturity financial investments	0	- 2
Net profit or loss from held-to-maturity financial investments	0	- 2
Net gains / losses on financial investments	- 157	- 34

Impairment allowances on available-for-sale financial investments are discussed under the financial investments item (note 5).

(35) Other income

	2011 € m	2010 € m
Income from receivables	135	0
Other income and expenses	2	6
Total	137	6

Other income from receivables in fiscal year 2011 included a one-off amount of EUR 167.5 million arising from the early termination of a long-term lending agreement with ING Bank N.V.

(36) Risk provision

Risk expenses can be broken down as follows:

	Portfolio impairment allowance 2011	Specific impair- ment allowance including specific impairment allowances calculated on a portfolio basis	Total T
	€ m	€ m	€m
Additions to / reversals of risk provision	4	76	80
Direct write-downs	1	0	1
Receipts from loans written off	0	- 4	- 4
Other changes	0	0	0
Total	5	73	77
	2010	2010	2010
	2010 € m	2010 € m	2010 € m
Additions to / reversals of risk provision	29	94	123
Direct write-downs	7	0	7
Receipts from loans written off	0	- 3	- 3
Other changes	0	0	0
Total	36	91	127

Notes to the consolidated income statement

Risk expenses related to loans and advances to customers

	2011 € m	2010 € m
Mortgage loans	70	94
Consumer loans	8	33
Corporate loans	- 1	0
Public loans and other receivables	0	0
Asset-backed securities / mortgage-backed securities	0	0
Total	77	127

These expenses are classified analogously to the corresponding report on the risk portfolio (note 3), by products reported under loans and advances to customers with similar characteristics. Further information on risk expenses can be found in the risk report, particularly under the section entitled "Monitoring and management of credit risks".

(37) Amortization and write-downs of intangible assets

No other intangible assets were written down in fiscal year 2011. In the previous year, amortization and write-downs of other intangible assets were exclusively comprised of amortization (EUR 3 million). Amortization of software is a component of other administrative expenses (note 39).

(38) Personnel expenses

	2011 € m	2010 € m
Salaries	135	124
Bonuses	7	9
Expenses for pensions and other post-employment benefits	5	4
Social insurance contributions	29	29
Share-based payments	2	1
Expenses for external employees	17	13
Training and continuing education	3	2
Other personnel costs	5	4
Total	203	186

Personnel expenses rose year-on-year by EUR 17 million to a total of EUR 203 million, due in part to the integration of the German branch of ING Bank N.V. Expenses for salaries increased by EUR 12 million to EUR 135 million in total.

Average number of employees

	2011			2010		
	Total	Germany	Austria	Total	Germany	Austria
Average number of						
employees	2,601	2,482	119	2,427	2,310	117

Share-based payments

The programs from the perspective of the overall Group

The ING Group grants senior employees stock-based compensation to reward their contribution for increasing shareholder value and to promote long-term corporate success. Among other things, their exercise is linked to continued employment in the Company.

The share-based payments are issued in the form of stock options and free shares. The option programs are primarily designed such that they are satisfied by granting shares (equity-settled share-based payments); a smaller portion is allotted to those that are settled in cash (cash-settled share-based payments).

Because this concerns a direct commitment of ING Groep N.V. to executives of the overall Group, all components are posted against equity (equity-settled) in accordance with IFRS 2 (2010 amendment) at the Group level.

In the year under review share-based payments totaled EUR 2 million (2010: EUR 1 million), which is included in the personnel expenses account.

The ING Group decides annually whether and in what form share-based payments will be granted. The stock option programs will not be renewed from fiscal year 2011 onwards, and the modalities concerning free shares were amended. The previous forms of compensation will gradually expire on schedule.

The delta hedging of the outstanding stock options was previously conducted taking into account strike prices, opening prices, a zero-coupon interest rate, the dividend range, expected volatility and expected values on the employees' turnover and exercise patterns. The hedges were adjusted regularly at predetermined times. In December 2010, ING Groep N.V. announced that the delta hedging method would no longer be used. The shares still remaining in the hedge portfolio will be used successively to settle arising obligations. If no more shares are available from this portfolio, the obligations will henceforth be serviced by appropriate new issues.

Notes to the consolidated income statement

Stock option programs

Under the expiring stock option programs, the beneficiaries receive the option to acquire shares of the ING Groep N.V. within stipulated periods at one price (strike price) and to transfer them to their personal securities account. The strike price is set when the options are granted and corresponds to the official listing price at that time. There is no provision for an exchange of options (reload function).

There is a uniform three-year holding period. After expiration of the holding period, the options may be exercised within the following seven years, either completely or in tranches.

The fair value of the stock options is determined uniformly throughout the ING Group using Monte Carlo simulation. In the 2011 fiscal year, the following parameters were included: risk-free interest rate in a range of 2.0 to 4.6 percent (2010: from 2.0 to 4.6 percent), expected holding period of the options of 5.0 to 9.0 years (2010: from 5.0 to 9.0 years), the strike prices, the current market price of the share between EUR 2.90 and 26.05 (2010: between EUR 2.90 and 26.05), the expected volatility of the shares of ING Groep N.V., Amsterdam, of between 25 and 84 percent (2010: between 25 and 84 percent), and the expected dividends at 0.94 to 8.99 percent (2010: 0.94 to 8.99 percent) of the quoted share price. When granted, the fair value of the options on a weighted average throughout the Group was EUR 2.65 (2010: EUR 3.08).

The assumptions regarding volatility came from the ING trading systems and are therefore not based on historical, but rather current market data.

Outstanding options - 2011

	Number of outstanding options	Weighted strike price in €
Outstanding options as of Jan. 1	1,181,131	14.06
Additions due to merger	121,650	13.29
Options granted during the reporting period	0	0.00
Net additions and disposals – new and departing Group employees	23,749	6.84
Exercised during the reporting period	54,958	2.90
Forfeited during the reporting period	9,210	13.84
Lapsed after expiration of exercise period	13,284	27.30
Outstanding options as of Dec. 31	1,249,078	12.97
Exercisable options as of Dec. 31	756,996	17.77

Outstanding options - 2010

	Number of outstanding options	Weighted strike price in €
Outstanding options as of Jan. 1	817,250	15.20
Options granted during the reporting period	290,464	7.35
Net additions and disposals – new and departing Group employees	96,743	13.27
Exercised during the reporting period	0	0.00
Forfeited during the reporting period	18,116	19.80
Lapsed after expiration of exercise period	5,210	22.02
Outstanding options as of Dec. 31	1,181,131	12.80
Exercisable options as of Dec. 31	548,874	17.77

The as yet unrecognized amounts of expenses to be distributed at the Group level totaled EUR 24 million as of December 31, 2011 (December 31, 2010: EUR 65 million). The average allocation period in the fiscal year just ended was 1.1 years (2010: 1.9 years). The amount of cash and cash equivalents collected throughout the Group from the exercise of options in 2011 was EUR 4 million (2010: EUR 3 million).

Outstanding options - 2011

Range of strike prices in € per share	Outstanding options as of 12/31	Weighted avg. remaining term of the agreement	Weighted avg. exercise price	Options exercisable as of 12/31	Weighted avg. remaining term of the agreement	Weighted avg. exercise price
0.00-15.00	655,924	7.17	6.80	163,842	5.29	9.74
15.01-20.00	342,580	5.09	17.11	342,580	5.09	17.11
20.01-25.00	148,592	3.96	24.13	148,592	3.96	24.13
25.01-30.00	101,982	4.23	25.16	101,982	4.23	25.16
30.01-35.00	0.00	0.00	0.00	0.00	0.00	0.00
35.01-40.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,249,078	5.97	13.18	756,996	4.79	17.97

Notes to the consolidated income statement

Outstanding options - 2010

Range of strike prices in € per share	Outstanding options as of 12/31	Weighted avg. remaining term of the agreement	Weighted avg. exercise price	Options exercisable as of 01/01	Weighted avg. remaining term of the agreement	Weighted avg. exercise price
0.00-15.00	637,005	8.28	6.41	158,429	6.70	8.07
15.01-20.00	320,542	6.13	17.09	166,861	5.41	17.48
20.01-25.00	120,594	5.60	24.40	120,594	5.60	24.40
25.01-30.00	102,990	4.59	25.44	102,990	4.59	25.44
30.01-35.00	0.00	0.00	0.00	0.00	0.00	0.00
35.01-40.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,181,131	7.10	12.80	548,874	5.59	17.77

Performance-based free shares

Under the plan which was in force until fiscal year 2010, the number of free shares that the beneficiaries receive after expiration of three years depends on the success of the overall Company, measured based on the list position within an international industry comparison group (ING total shareholder return, "TSR"). Here, as with the stock option programs, the beneficiary must have been employed by the Group during the stipulated period. These performance shares are allocated directly following expiration of the lock-up period.

The plan from 2011 onwards to use free shares as compensation consists of two components. As part of the first component, the right to receive a number of free shares is granted. One third of the free shares is allocated over each of the next three anniversaries of the commitment. The number of allocated shares as of the relevant expiry date is based on the degree to which predefined corporate targets have been achieved, including the results of employee satisfaction surveys. The value of the shares on the actual strike date is determined in accordance with the ING opening share price on NYSE Euronext. The second component is a deferred shares model, under which bonus payments above and beyond a set threshold are no longer paid out in cash but rather as deferred percentages of excess amounts in accordance with a scale. The deferred amount is divided (and rounded up if necessary) by the average bearer depositary receipts (BDRs) of NYSE Euronext on the date on which ING's earnings for the fourth quarter of 2010 are published. One third of the resulting number is allocated on each of the following three years, analogously to the first component. The shares are issued at the current market price (ING opening share price, NYSE Euronext).

Group-wide, the volume of free shares as of December 31, 2010 was 35,040,106 shares (December 31, 2009: 14,653,673 shares). The weighted average of the fair value was EUR 7.25 (2009: EUR 7.53).

The ING-DiBa Group held out a prospective total of 310,159 free shares to its executives during fiscal year 2011 (2010: 126,296).

Up to the actual allocation, the expense is recorded by distributing an extrapolated fair value to the holding period. ING Groep N.V. uses a Monte Carlo simulation for this allocation, which includes the risk-free base interest rate, current market prices, as well as expected volatilities and current dividends of comparable companies. In relation to the overall Group, the previously unallocated expenses from free shares were EUR 149 million as of December 31, 2011 (December 31, 2010: EUR 158 million). The 1.5-year allocation period expected during the 2011 fiscal year exceeds the previous year's value (2010: 2.1 years).

Please see note 29 regarding the share-based payments obtained by the Management Board.

Additional information regarding the share-based payment programs may be found in the annual report of ING Groep N.V., Amsterdam, as of December 31, 2011, which is published online at www.ing.com.

(39) Other administrative expenses

	2011	2010
	€ m	€m
IT	55	53
Telecommunications, office and operating expenses	50	50
Marketing and public relations	107	104
Travel expenses and corporate hospitality expenses	5	5
Legal and consulting expenses	18	9
Deposit protection	56	53
Shipping costs	14	12
Depreciation of buildings and office equipment	12	16
Amortization of software	13	13
Other administrative costs	48	41
Total	378	354

Notes to the consolidated income statement

Administrative expenses rose by EUR 24 million during the 2011 fiscal year to EUR 378 million. Further investments were again made for marketing and public relations activities. The inclusion of the new business segment resulted in a moderate extension of other administrative costs.

Other administrative expenses did not include any write-downs in the fiscal year.

Auditors' fees

	2011	2010
	€m	€m
Audit services	1.6	1.5
Audit-related services	0.3	0.4
Tax services	0.0	0.0
Other services	0.2	0.1
Total	2.1	2.0

Auditors' fees are a component of the legal and consulting expenses.

(40) Disclosures relating to income tax expenses

	2011 € m	2010 € m
Actual income tax expense	240	201
of which: adjustments for income taxes related to other accounting periods	0	- 1
of which: reduction due to utilization of tax loss carryforwards or tax credits	0	0
of which: resulting from items charged or credited directly to equity	0	0
of which: subsequent payments due to tax audits	0	0
Deferred tax expense	- 29	- 52
from temporary differences	- 29	- 52
from the reversal of loss carryforwards	0	0
from change in tax rates	0	0
of which: resulting from items charged or credited directly to equity	5	- 6
Total	211	149

ING-DiBa AG is part of a tax group for corporate income and trade tax purposes due to a profit transfer agreement with ING Deutschland GmbH, Frankfurt am Main.

In addition, there is a tax group for corporate income tax, trade tax, and VAT purposes with ING-DiBa AG as the tax group parent and GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH, Frankfurt am Main, as the tax group subsidiary.

In accordance with the principle of substance over form, both the current and deferred income taxes are disclosed in the IFRS consolidated financial statements by the entity responsible, ING-DiBa AG. In this area, for which IFRS does not provide any guidance, ING-DiBa thus follows the interpretation of ASC 740 (US GAAP).

Under the push-down method, corresponding deferred tax assets and liabilities are presented for the deferred income taxes.

The current income taxes paid by the tax group parent are presented in the consolidated statement of changes in equity as a capital contribution by the tax group parent under other reserves.

The income tax amounts resulting from the components of other comprehensive income are presented in the consolidated statement of comprehensive income.

Tax reconciliation

	2011	2010
	€ m	€m
Profit before tax	660	494
Applicable tax rate in %	31.0	31.6
Expected income tax expense	205	156
Tax-free income	- 5	- 5
Non-tax deductible expenses	12	1
Effects of tax rate changes on deferred taxes	0	0
Effects of as yet unrecognized amounts on deferred taxes	0	- 0
Effects of as yet unrecognized amounts on current income taxes	0	0
Write-down or reversal of a write-down of deferred tax assets due to IAS 12.56	0	0
Other tax effects	- 1	- 3
Effective income tax expenses	211	149
Effective tax rate in %	32.0	30.1

The applicable tax rate is determined based on the applicable overall tax rate for the Germany operation (32 percent) and the branch in Austria (25 percent), weighted by each operation's share of total profit. There was no significant change compared to the previous year.

4.6.6 Segment report

4.6.6 Segment report

(41) Segment report

The following segment information is based on the management approach; the presentation of segment information based on internal reporting. The Chief Operating Decision Maker (CODM), here, the overall Management Board of ING-DiBa AG, regularly decides on the allocation of resources to segments and the assessment of the segments' financial performance based on the segment information. The CODM sets performance goals and approves and monitors the issued budgets.

Segments

Segment reporting follows the Group's organizational structure underlying the internal management information system. The Bank's management information system differentiates between the segments Retail Customer Loans, Retail Customer Assets and Commercial Banking. The operation merged with ING-DiBa AG as of August 31, 2011 contains the Commercial Banking segment of the former German branch of ING Bank N.V. The Retail Customer Loans segment includes both long-term mortgage loans and mid-term consumer loans. The Retail Customer Assets segment comprises deposits on the "Extrakonto" account payable on demand as well as mid-term deposits to fixed term deposit accounts and share assets in securities accounts. The Commercial Banking segment comprises the financing of corporate customers.

Due to the integration of ING Commercial Banking and the strategic realignment, the internal report to the management for tax purposes was also revised.

The interest income realized and interest expense incurred by the segments are reported as net interest income in the disclosures on the business segments because the segments are managed primarily on the basis of net interest income. Further key performance indicators include the result before tax MA (Management Accounting) and the business volume of the individual segments.

Calculation of segment profits or losses

The information as presented in this note corresponds to the segment information as provided to the overall Management Board in the internal management information system.

The reconciliation of the profits or losses as per management reporting to the consolidated earnings in accordance with IFRS concerns to the following items in particular:

Management reporting follows the method used by ING Groep N.V. In order to render the results of the business units mutually comparable, corrections are made to capital charges. Net interest income as calculated under IFRS is reduced by the risk-free interest rate in reference to the accounting equity. This is offset by a credit with the risk-free euro interest rate on the economic capital. This item is reported separately as "Income on allocated equity". In addition, in contrast to the previous year, the hedge accounting result and net income from equity investments are combined under "Other income". This presentation mirrors that at the ING Group.

Income relating to the early liquidation of loans from ING Bank N.V., reported under other net income in the consolidated financial statements (EUR 168 million), was not included under other income in the management accounts.

As part of its de-risking strategy, ING-Direct sold selected securities to ING-DiBa. The loss on disposal was credited to "Other income" in the management accounts. A portion of the Group overhead, which is not influenced by the business unit, is presented as part of administrative expenses.

The management accounts for the Commercial Banking segment present the entire fiscal year. The results calculated in accordance with IFRS include only the results following the date of the merger, August 31, 2011. The financial accounting result in accordance with IFRS is EUR 55 million less than the management accounting result.

4.6.6

Segment report

Segment results

2011 € m	Retail Customer Loans	Retail Customer Assets	Commercial Banking	MA total	Reconciliation	IFRS
Net interest income	469	717	33	1,220	106	1,326
Net commission income	- 52	88	23	59	- 18	41
Other income	0	- 169	26	- 143	94	- 49
Income on allocated equity	36	23	4	63	- 63	0
MA income	454	660	86	1,199	119	1,318
Risk provision	- 82	3	8	- 70	- 7	- 77
Other administrative expenses	- 143	- 417	- 28	- 588	7	- 581
of which write-downs	- 5	- 21	-1	- 27	1	- 26
Pre-tax MA result	229	246	66	541	119	660

2010 € m	Retail Customer Loans	Retail Customer Assets	Commercial Banking	MA total	Reconciliation	IFRS
Net interest income	417	601	0	1,019	109	1,128
Net commission income	- 47	90	0	43	0	43
Other income	5	- 11	0	- 7	0	- 7
Income on allocated equity	28	26	0	54	- 54	0
MA income	403	706	0	1,109	55	1,164
Risk provision	- 115	- 12	0	- 127	0	- 127
Other administrative expenses	- 135	- 396	0	- 531	- 11	- 543
of which write-downs	- 10	- 21	0	- 31	0	- 31
Pre-tax MA result	153	298	0	451	44	494

Information on geographical areas

ING-DiBa generated total income of EUR 1,318 million (previous year: EUR 1,164 million) during the 2011 fiscal year. Because ING-DiBa Direktbank Austria funded itself using internal Group resources and operates the deposit business almost exclusively, the branch's contribution from external customers is negative. Of ING-DiBa's total income, ING-DiBa Direktbank Austria's share of total income from external customers was EUR –100 million (previous year: EUR –99 million). ING-DiBa generated net interest income of EUR 1,326 million during the 2011 fiscal year (previous year: EUR 1,128 million). Of that amount, EUR –100 million from external customers was attributable to ING-DiBa Direktbank Austria (previous year: EUR –100 million). ING-DiBa Direktbank Austria's net commission income from external customers during both the 2011 and 2010 fiscal years was less than EUR 1 million.

There are no non-current assets at ING-DiBa Direktbank Austria.

ING-DiBa did not have any major customers within the meaning of IFRS 8 as of December 31, 2011 and December 31, 2010. Under IFRS 8, a customer is considered major if more than 10 percent of total income is earned from this customer.

Other information

There were no business transactions between reportable segments during the past fiscal year.

There were no sales of non-current assets during the fiscal year requiring disclosure under IFRS 5.

Business volume



Business volume is a key performance indicator used by the Bank which serves as an alternative benchmark for measuring all assets and liabilities for each reportable segment. Reports on this performance indicator are included in the regular internal management reporting.

The Bank computes the business volume of the Retail Customer Loans segment as the reported volume of mortgage loans and consumer loans; business volume for the Retail Customer Assets segment comprises the reported volume of savings, current and securities accounts held by customers. In the Commercial Banking segment, business volume includes the reported volume of loans and deposits as well as contingent liabilities and open commitments. When reconciling the Commercial Banking business volume to the figures reported under IFRS, the value of customer securities accounts and contingent liabilities and open commitments are eliminated.

Notes to the consolidated cash flow statement

4.6.7 Notes to the consolidated cash flow statement

(42) Notes to the consolidated cash flow statement

Significant principles of the cash flow statement

The cash flow statement shows the change in the balances of cash and cash equivalents of the ING-DiBa Group using the indirect method. The changes in the balances are allocated based on their economic cause to cash flows from operating, investing, and financing activities.

The cash flows from operating activities arise from the normal banking business. The earnings before taxes here are adjusted for non-cash changes in the balance. Investment activities comprise in particular payments related to the changes in the balances of the financial assets, property and equipment and intangible assets.

Cash and cash equivalents are composed of cash and receivables from central banks and commercial banks, less deposits from banks, payable on demand, as follows:

Cash and cash equivalents

	12/31/2011	12/31/2010
	€ m	€m
Cash reserve	2,783	1,417
Loans and advances to banks payable on demand	3,260	3,679
Deposits from banks payable on demand	- 167	- 97
Cash and cash equivalents at the end of the year	5,876	4,999

Interest portion in the cash flow statement

	12/31/2011	12/31/2010
	€ m	€m
Interest income	3,187	2,717
Interest paid	- 1,815	- 1,626
Total	1,372	1,091

Reconciliation to the statement of financial position items

	12/31/2011	12/31/2010
	€ m	€m
Cash reserve	2,783	1,417
Cash reserve	2,783	1,417
	12/31/2011	12/31/2010
	€ m	€m
Loans and advances to banks included in cash and cash equivalents	3,260	3,679
Loans and advances to banks not included in cash and cash equivalents	2,531	5,030
Loans and advances to banks	5,791	8,709
	12/31/2011	12/31/2010
	€ m	€m
Deposits from banks included in cash and cash equivalents	167	97
Deposits from banks not included in cash and cash equivalents	7,788	5,573
Due to customers	7,955	5,670

The legal reserve requirement as of the end of the reporting period was EUR 828 million (December 31, 2011: EUR 1,504 million). These funds are part of the accounting cash reserve (note 1).

Legal minimum reserve requirements and additional unavailable financial instruments within the statement of financial position item

	12/31/2011 € m	12/31/2010 € m
Cash reserve	1,676	1,009
Financial assets	0	0
Loans and advances to customers	6,300	6,305
Loans and advances to banks	3,030	2,175
Other assets	0	0
Total	11,006	9,489

4.6.8

Capital management

4.6.8 Capital management

(43) Regulatory capital and risk-weighted assets

The ING-DiBa AG Group's capital management serves to ensure compliance with the statutory minimum capital requirements on a Group-wide basis as well as in all Group companies and to provide a sufficient buffer to ensure the Group's ability to act at all times. Responsibility for ensuring target achievement rests with the Accounting department of ING-DiBa AG, in coordination with the Management Board and the corresponding boards. The SolvV provisions are the guiding standards.

Regular monitoring of compliance with the capital requirement (on a daily and monthly basis) ensures target attainment and delivers warning signals where appropriate to initiate appropriate management measures. The legal minimum capital requirements were satisfied at all times during the 2011 fiscal year.

Eligible capital is calculated based on the provisions of the German Banking Act (Kreditwesengesetz, "KWG") and the SolvV. Liable equity is the basis of the risk-taking potential described in the risk report. The following table shows the quantitative composition of liable equity:

Composition of liable equity of the ING-DiBa AG Group

	12/31/2011 € m	12/31/2010 € m
Paid-in capital	100	100
Reserve	3,821	3,626
Other regulatory adjustments	771	502
Liable equity	4,692	4,228

As of the end of the reporting period in 2011, eligible equity amounted to EUR 4,484 million (previous year: EUR 4,079 million).

Tier I capital ratio of the ING-DiBa AG Group

	12/31/2011 in %	12/31/2010 in %
Tier 1 ratio	16.9	21.1
Regulatory requirement – Tier 1 ratio	4.0	4.0
Goal for Tier 1 ratio	10.0	10.0

Risk-weighted assets for the end of the reporting period in 2011 were EUR 22,075 million (previous year: EUR 16,851 million).

BIS ratios of the ING-DiBa AG Group

	12/31/2011 in %	12/31/2010 in %
Regulatory requirement – BIS ratio	8.0	8.0
BIS ratio after floor*	9.5	11.4

^{*} The floor is a minimum capital requirement based on 80 percent of the risk-weighted assets under Basel I (pursuant to section 339 (5a) and (5b) SolvV).

Further information on economic capital management can be found in the risk report in the section entitled "Principles of risk management".

Frankfurt am Main, April 23, 2012

The Management Board

Roland Boekhout

Bas Brouwers

Bernd Geilen

Katharina Herrmann

Martin Krebs

Herbert Willius

5.0 Auditors' Report

Translation from the German language

Auditors' Report

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the IFRS consolidated financial statements, together with the Group management report of ING-DiBa AG, Frankfurt am Main, for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB (Handelsgesetzbuch: German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, "IDW"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, April 25, 2012

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Binder Reinert

Wirtschaftsprüfer Wirtschaftsprüferin [German Public Auditor] [German Public Auditor]

6.0 Supervisory Board Report

Supervisory Board Report

In fiscal year 2011, the Supervisory Board comprehensively and with great due care completed all tasks prescribed by the law, the Articles of Association and the rules of procedure and regularly advised the Management Board in managing the Company and monitored its actions. The Supervisory Board was informed about the Bank's business performance in four Supervisory Board meetings and in regular discussions with Management Board. Significant business transactions were discussed in detail at these meetings. The Supervisory Board was always included in the discussions about fundamental issues on corporate planning and the strategic orientation of the Bank. Furthermore, the Supervisory Board received regular detailed written and oral reports about the operating business, net assets, liquidity and results of operations of the Company as well as the risk situation, risk management, internal control system and compliance. The Supervisory Board's audit of the submitted reports revealed that there were no objections regarding the actions of the Company's management for the 2011 fiscal year.

Focus of the meetings:

Particular focus was given to the following items during the discussions and resolutions of the full Supervisory Board: Implementing the ING Group's "One Bank" strategy in Germany, i.e., the lawful merger of ING Bank N.V.'s Commercial Banking branch in Germany with ING-DiBa AG, and integrating the corporate customer business in the governance of the Bank. The successful first-time issue of a mortgage bond (Pfandbrief). Advising the conclusion of intra-Group transactions, in particular for purchasing the Dutch Orange Lion securities. Updating the Management Board's remuneration system on account of revised provisions pursuant to the German Regulation Governing Remuneration at Institutions (Instituts-Vergütungsverordnung) and the ING Bank Remuneration Framework. The effects of the ongoing global financial and euro crises on the Bank, including the management approaches in the Bank's investment portfolio. The impact of the continuing fierce competition for savings deposits and retail customers and the associated ongoing and extremely aggressive behavior of the Bank's competitors. Furthermore, the focus of the Supervisory Board's discussions over the course of the fiscal year - as in previous years – was the further development of the growth strategy, in particular consolidating and maintaining the Bank's position as one of the market's leading mortgage loan providers, the expansion of the securities, current accounts and consumer loans businesses, and remaining the market leader for call deposit and fixed term deposit accounts.

Committees:

The Supervisory Board has three committees. The duties of the committees are to prepare pending topics and resolutions for the full Supervisory Board. To a certain extent, they also assume decision-making powers granted to them by the full Supervisory Board. The committee chairpersons regularly informed the Supervisory Board about the committees' work.

The Audit Committee convened twice. The Committee worked extensively on the annual financial statements and discussed these with the Management Board and the auditor. It also prepared the audit engagement for the auditor, including setting the audit's foci. In particular, it focused on the risk management system, especially the Bank's Risk-Bearing Capacity Concept and the internal control system. In addition, the Audit Committee also concerned itself with money laundering and compliance issues, the audit findings of the Internal Audit department and its audit budget, and the findings of other external audits. It regularly received written reports about the Bank's risk situation and the implementation status of audit findings.

The Personnel and Arbitration Committee held three meetings. It concerned itself primarily with the remuneration levels of the Management Board, execution of new executive employment agreements, remuneration system, and with implementing the German Institute Remuneration Ordinance and the ING Remuneration Framework.

The Credit Committee made all of its resolutions primarily affecting the approval of loans to executives and corporate customers by way of circulation. Meetings in person did not take place.

2011 annual financial statements:

As the auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Eschborn, Germany, audited the 2011 HGB annual financial statements and management report and the 2011 IFRS subgroup consolidated financial statements and management report (prepared by the Management Board) together with the bookkeeping system, and did not raise any objections and issued an unqualified auditor's opinion. Following their own audits and discussing the audit findings in detail with the auditor, the Supervisory Board and the Audit Committee agree with the auditor.

6.0 Supervisory Board Report

In accordance with its conclusive audit findings, the Supervisory Board did not raise any objections and approved the HGB annual financial statements and management report and the IFRS subgroup consolidated financial statements and management report prepared by the Management Board for the 2011 fiscal year, which are thereby adopted.

Personnel changes in the Supervisory Board and Management Board:

The term of office for the members of the Supervisory Board expired at the end of the Annual General Meeting on May 20, 2011. The shareholder representatives re-elected to the Supervisory Board were Prof. Dr. Wolfgang Gerke, Mr. Dick Harryvan, Mr. Eli Leenaars, Mr. Ben Tellings, and Mr. Hermann Zeilinger. Dr. Claus Dieter Hoffmann was elected to the Supervisory Board for the first time.

The employee representatives re-elected were Ms. Christine Stürtz-Deligiannis and Mr. Christopher Walker. Ms. Heike Halbmeier, Ms. Gudrun Schmidt, Mr. Dieter Braner, and Mr. Wolfgang Scheibein left the Supervisory Board. They were replaced by Ms. Birgit Braitsch, Mr. Klaus Eichwald, Mr. Alexander Klein, and Mr. Rainer Pfeifer.

Subsequent to the Annual General Meeting, Mr. Ben Tellings was elected Chairman of the Supervisory Board and Mr. Klaus Eichwald as the Deputy Chairman. Furthermore, the Committees were also re-elected. In the wake of Mr. Klaus Eichwald's unexpected death, Mr. Rüdiger Köppel was elected as the new Deputy Chairman of the Supervisory Board in early February 2012.

In June 2011, Dr. Rolf-Jürgen Freyberg, Honorary Member of the Supervisory Board of ING-DiBa AG, also passed away following serious illness.

The Supervisory Board would like to thank the former members of the Supervisory Board for their commitment and hard work as well as their efforts to improve the Company.

Effective January 1, 2011, the Supervisory Board appointed Ms. Katharina Herrmann as a member of the Management Board. In its meeting on September 14, 2011, the Supervisory Board appointed with immediate effect Mr. Herbert Willius as the Deputy Chairman of the Management Board of ING-DiBa AG.

The Supervisory Board would like to thank the Management Board and all employees for their commitment in the previous fiscal year. Their hard work and expertise contributed decisively to ING-DiBa AG successfully mastering the various challenges faced in 2011.

Frankfurt am Main, May 11, 2012

The Supervisory Board

Ben Tellings

Chairman of the Supervisory Board of ING-DiBa AG

Imprint

Publisher: ING-DiBa AG, Theodor-Heuss-Allee 106, 60486 Frankfurt am Main

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The History of ING-DiBa

1965	Formation of BSV: Bank für Sparanlagen und Vermögensbildung AG in Frankfurt am Main
1969	One-stop home financing with up to 100 percent loan-to-value ratios
1975	Consumer loan applications and disbursements available by post
1992	Introduction of current accounts
1993	Home banking through BTX
1994	Name changed to "Allgemeine Deutsche Direktbank"
1996	Helmut Schmidt Award for Journalism awarded for first time
1998	Strategic partnership with ING Group, a Dutch integrated financial services group
1999	Acquisition of Bank GiroTel during the "DiBa" brand campaign in Hanover
2001	Growth initiative launched with high-interest "Extra" account
2003	Acquisition of Entrium Direct Bankers ING Group becomes sole shareholder in DiBa
2004	Introduction of new brand name "ING-DiBa"
2006	ING-DiBa celebrates six million customers
2007	ING-DiBa securities account volume greater than at all of Germany's direct brokers
2008	ING-DiBa voted "Germany's most popular bank"
2009	ING-DiBa donations to "We care" organization total more than EUR 1.5 million since 2005
2010	ING-DiBa launches finanzversteher.de portal designed to demystify finance and put people in charge of their own finances
2011	ING-DiBa donates EUR 1,000 to 1,000 organizations for the first time in its "DiBaDu und Dein Verein" initiative

2011 in pictures



Named Germany's most popular bank for fifth straight year.



ING-DiBa issues its first Pfandbrief for EUR 500 million.



Handelsblatt

ING-DiBa again named one of Germany's top employers.



Deutscher Preis für Onlinekommunikation

ATM price radar at finanzversteher.de wins German Award for Online Communications.



ING-DiBa's celebrity spokesman Dirk Nowitzki wins the NBA championship title and celebrates the victory at the INB-DiBa press conference in Würzburg.

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE



Katharina Herrmann joins the Management Board.



"DiBaDu: Die Bank und Du" brand campaign wins German Award for Business Communication.



Named best online broker for seventh year in a row.



1st prize for "Best service by a direct mortgage lender" for fourth year in a row.



"ING-DiBa's promise" enhances customer online banking security.





Focus on the consumer: the finanzversteher blog is integrated into the finanzversteher website and ING-DiBa Direktbank Austria launches its blog, "Gut mit Geld" (Good with Money).



 $What cham a call it: kids\ explain\ "DiBa\ Dings Bums",\ banking\ terminology\ on\ You Tube.$

AUGUST



ING-DiBa donates EUR 1,000 to 1,000 organizations in a new donations drive: "DiBaDu und Dein Verein".

JULY

SEPTEMBER

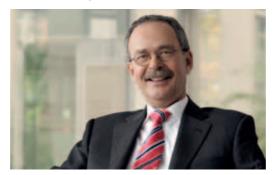
OCTOBER

NOVEMBER

DECEMBER

We care

ING-DiBa's internal charity drive more popular than ever. Nearly half a million euros donated to organizations sponsored by ING-DiBa employees.



Herbert Willius is appointed Deputy Chairman of the Management Board.



ING Bank successfully integrated into ING-DiBa.



ING-DiBa receives the "Diversity Prize" for its "Azubis 50+" program offering individuals over 50 prospects for a new career.



ING-DiBa AG Theodor-Heuss-Allee 106 60486 Frankfurt am Main Tel. 069 – 50509069 www.ing-diba.de