Creating trust

Annual Report 2012

ING DiBa
Die Bank und Du

ING-DiBa at a glance

		2012	2011	Change Percent
Key customer figures				
Total customers		7,762,813	7,446,295	4
in Germany		7,248,274	6,953,930	4
in Austria		514,539	492,365	5
Retail customer assets segment				
Savings				
Number of accounts		6,737,994	6,409,507	5
Portfolio volume	€ m	94,697	85,919	10
Securities trading				
Number of securities accounts		895,706	874,474	2
Total securities account volume	€ m	18,109	16,015	13
of which fund volume	€ m	6,123	5,676	8
Orders executed		5,855,965	6,968,536	−16
Current account				
Number of accounts		967,673	858,392	13
Deposit volume	€ m	2,000	1,633	22
Total drawing on credit	€ m	196	179	9
Retail customer loans segment				
Building finance				
Number of accounts		729,951	672,528	9
Portfolio volume	€ m	59,938	56,547	6
Confirmed new business	€ m	6,763	8,424	−20
Consumer credit				
Number of accounts		408,741	363,765	12
Portfolio volume	€ m	3,699	3,141	18
Commercial banking segment				
Deposits	€ m	566	529	7
Loans	€ m	3,066	1,641	87
Transaction volume	€ m	187,030	169,975	10
Results figures *				
Net interest income	€ m	1,182	1,303	− 9
Risk provision	€ m	− 83	− 77	8
Net commission income	€ m	45	41	10
Other comprehensive income	€ m	− 35	− 26	35
Administrative expenses	€ m	− 623	− 581	7
Pre-tax profit	€ m	486	660	− 26
Cost-income ratio	Percent	52	44	8 pp.
Key accounting figures *				
Total assets	€ m	120,289	109,463	10
Customer deposits	€ m	98,530	90,860	8
Loans to customers	€ m	82,082	74,732	10
Equity	€ m	6,065	5,452	11
Ratios				
Tier 1 ratio	Percent	15.9	16.9	− 1 pp.
BIS ratio after floor	Percent	9.5	9.5	0 pp.
Personnel				
Number of employees		3,178	2,986	6
of which trainees		109	110	− 1

* Previous year's figures have been adjusted

Fiscal year 2012 at ING-DiBa

ING-DiBa continued to write its growth story in fiscal year 2012. The main targets were achieved or even exceeded in both retail and commercial banking. A net gain of over 300,000 customers in 2012 marks the best result since 2007. At the end of the year under review, 7.8 million customers in Germany and Austria placed their trust in ING-DiBa.

More than ever, trust is the key to success in banking. In a persistently turbulent environment for retail banking customers, ING-DiBa has succeeded in creating lasting trust by offering, among other things, an attractive and transparent product range tailored to customer needs. In this process, the Bank's business model shows that customer proximity has nothing to do with geographical proximity and everything with service excellence, fair terms and conditions, and high-quality service.

Contents

"Our strong brand acts like an anchor."

Roland Boekhout on ING-DiBa's business model – and on the unsustainable practice of commission-based advice. A look back at the successes in 2012 and a look ahead into the current year. And an answer to the question why the Bank associates itself with a lion.

ROLAND BOEKHOUT
CEO OF ING-DIBA AG

Mr. Boekhout, the banks have rediscovered retail banking and promise that customer interests will have sole priority in future. Will ING-DiBa have to prepare for stormy weather?

Roland Boekhout: "To pick up your metaphor, we are always adequately outfitted to hold our position successfully in this changeable economic climate. At ING-DiBa, we don't have to rediscover retail customers, because we never lost sight of them in the first place. Our customers and their interests have always been the focal point for us. A bank manager who suddenly promises to focus exclusively on customer interests in future is giving the game away a bit. Just imagine if the doctor you've always trusted were to inform you that he or she will put your health first from now on, rather than the sale of medication or treatments. You'd probably be relieved to have survived this long in the care of such a doctor."

The 2012 fiscal year was still heavily impacted by the euro crisis. Interest rates have never been lower. Surely not an ideal environment for an institution that likes to refer to itself as one of the biggest savings banks in Germany. How did things go for ING-DiBa in 2012?

R. B.: "You're right, the environment we faced was indeed challenging. We are therefore all the happier to present a very satisfactory result again, both in Retail Banking and in our recently integrated Commercial Banking segment. We recorded increases in all segments. In spite of the currently very low interest rates you mentioned earlier, we managed a 10 percent increase in our portfolio volume of savings deposits to EUR 95 billion."

Further potential in the current accounts segment

The number of current accounts rose by as much as 13 percent. But doesn't the fact that this is one of the most fiercely contested segments mean that ING-DiBa has come close to exhausting its potential with this product?

R. B.: "Not at all. Because of their cost structures and the very low interest rates, the branch banks, which include above all savings banks and cooperative banks, will probably find it very hard to offer affordable – let alone free – current accounts. The current interest rate level makes it impossible to make money with what was once referred to as the "bottom of the barrel" among payment transaction accounts. There are some banks in the market that have started to reintroduce account management fees for current accounts that were previously offered free of charge. I expect that this is only the start of a renaissance of current account fees. This trend should unlock new potential for our cost-effective, fair product."

"We, ING-DiBa, do not have to rediscover the private customer, because we never lost him. We always focus on our customers and their interests."

Although Germany in particular is experiencing a real estate boom, new mortgage lending business declined at ING-DiBa in 2012. Why?

R. B.: "We have remained on a growth path, including in mortgage lending. For example, our portfolio volume increased by six percent to around EUR 60 billion. When compared internationally, the performance of the German real estate market has been very stable, which is quite encouraging. This is where

the much referred to "flight into real assets" is most noticeable. In the past few years, large price increases for real estate in Germany have only been recorded in sought-after central locations in major cities. This is why I don't believe at all that a bubble is forming. To ensure that it stays that way, mortgage lenders should also keep an eye on the risk structure of their portfolios, in spite of all the euphoria. At ING-DiBa we are doing just that. Our maxim is to grow steadily while keeping risk to a minimum in a targeted way. We don't believe in growth at any price."

ING-DiBa's portfolio volume of consumer loans has expanded significantly. Your Bank used to be pointedly reticent about these products. Why the new strategy?

R. B.: "The strategy is not new. We have always firmly believed that a bank shouldn't sell overpriced products through aggressive marketing, because in doing so it contributes to the over-indebtedness of consumers. And that is still our conviction. ING-DiBa offers fair and transparent products, including very flexible revolving loans and installment loans. Products that speak for themselves. Germany's economy is surprisingly resilient, unemployment has fortunately fallen, and consumers are becoming more willing to spend – and this pushes up demand for consumer loans. When our customers buy a new car or treat themselves to new furniture, it boosts the real economy. Ultimately everybody benefits. The strong growth in portfolio volume is evidence that customers value our products. But even here we are committed to expanding in a way that is healthy for both customers and the Bank."

Given the extremely low interest rates, savers had to moderate their aspirations in 2012. By contrast, investments in shares and equity funds generated greater returns. How did the securities business do at ING-DiBa?

R. B.: "The performance of the key international stock exchanges was surprisingly good, at least in the second half of 2012 – and not least the DAX embarked on an upward trend. This is why many retail customers are also returning to the stock exchanges. As a result, the securities account volume managed by ING-DiBa rose to around EUR 18 billion, which corresponds to a year-on-year increase of 13 percent. Although the number of securities accounts also increased slightly, customers tended to be quite careful in their trading behavior, so that the number of orders executed declined by 16 percent. With the euro crisis continuing to abate and interest rates staying low, I anticipate that the attractiveness of investments in securities will increase further."

Continued growth combined with great efficiency

On the topic of growth: the direct banking boom continues unabated. How do you combine growth with profitability?

R. B.: "A net gain of more than 300,000 customers made 2012 our best year for customer growth since 2007. Our customer acquisition efforts were very successful in both Germany and Austria. Almost 7.8 million customers already place their trust in our Bank, and this consolidates ING-DiBa's position as Germany's third biggest private retail bank. Thanks to great efficiency, our Bank is expanding profitably. Profit before tax in fiscal year 2012 was EUR 486 million. In terms of both operating expenses and the cost-to-client-balances ratio, ING-DiBa produces top results when compared with competitors."

ING-DiBa used to define itself as a purely retail bank. A while ago you added commercial banking. How has this relatively recent addition to the Bank performed, and what were the reasons for including commercial banking?
R. B.: "The figures speak for themselves. In the Commercial Banking segment, the loan volume rose by 87 percent to over EUR 3 billion, while deposits climbed to EUR 566 million. This makes us less dependent on the capital markets, because commercial banking opens up new investment opportunities with attractive returns and low risks. By integrating Commercial Banking assets into our statement of financial position, we strengthen the investment mix of our institution. "One Bank" is our guiding principle. It means retail banking and commercial banking under one roof. With our Commercial Banking we have already advanced to a good position in Europe's strongest economy. Our aim is to achieve high-quality, steady growth in this segment as well."

ING-DiBa faces competition not only from the established German financial institutions, but to an increasing extent also from foreign competitors, some of whom use fairly aggressive methods to attract customers. Does this development worry you?
R. B.: "We take all competitors seriously and take on any new challenges they present. It's true, there are many foreign banks out there trying to benefit from the active German savers. The institutions approach this with different business models. Our business model is based on lending the money we collect primarily to private individuals in Germany so they can finance their own homes. That's the core of ING-DiBa's business model. It has proven itself and is valued by all our customers, a fact confirmed by the figures I mentioned earlier."

On what foundations is this business model built?
R. B.: "On a consistent strategy, which has quality for customers and corporate culture at its core."

Your competitors could not have put it better ...
R. B.: "Possibly, but we don't just print these lofty goals in some corporate guidelines, we actually live them. Day in, day out. And our strategy is clear and consistent. We offer our customers simple, transparent products. To this end, we have reduced the number of products from 20 in 2001 to the current 10. Intricate and complex financial innovations are often introduced with one aim in mind: to generate artificial demand for advice. In addition to simplicity and transparency, ING-DiBa believes in efficiency and convenience

for its customers, for example by providing a clear, easy-to-use website, which we revamped last year and for which we've received a lot of praise."

"We offer our customers simple and transparent products. The number of products has decreased from 20 in 2001 to 10 today."

A lot of trust has been lost because of the financial crisis. Your Bank's customer base is expanding. What are you doing better?
R. B.: "Trust has to be earned. We have built this trust over a period of more than ten years and established a very strong brand, which has fairness, transparency, and simplicity at its core. A brand as strong as this acts like an anchor – especially in stormy weather."

Savings banks and cooperative banks are also reporting high levels of trust from their customers. They often quote geographical proximity as the reason. Is your Bank at a disadvantage in this regard?
R. B.: "No, customer proximity has nothing to do with geographical proximity and everything to do with service excellence, fair terms and conditions, and high quality. You can have a branch on every street corner and still be miles away from offering what your customers really want. I am delighted if customers also trust their savings bank or cooperative bank. But one thing has to be made clear: the entire banking sector needs to regain its customers' trust. Thumbing our nose at competitors won't get us anywhere. The entire sector has to rebuild its reputation. This means having the courage to question things that clearly haven't worked."

Can you be a bit more specific?
R. B.: "I am primarily referring to commission-driven investment advice, which leads to conflicts of interest. With commission-based advice, the customer, unlike the bank consultant, does not know what commissions change hands for each product. From the consultants' point of view it makes sense that they want to sell those products that bring them higher commission. But that is pretty much the opposite of customer focus."

A while ago you openly called for an end to commission-based advising. Why stick your neck out with a proposal that, for now at least, doesn't make you very popular in the sector?
R. B.: "We should stop running hidden agendas to protect our own interests. I believe that would be an important trust-building measure. Commission-based advice doesn't work anywhere. In the UK, for example, a general ban on commission payments from product providers to financial advisors and intermediaries came into effect at the beginning of the year. There are similar moves in the Netherlands, significantly changing the banking market. The German government has also pointed to the risks of commission-based advice from time to time in the past. Ultimately there is always a great risk of conflicts of interest. I am confident that, before long, commission-based advice will no longer be legal in its current form. For this reason the sector should take proactive

measures instead of clinging to outdated practices. If we don't act, lawmakers will, and we would have wasted an excellent opportunity to regain trust."

Shaping change rather than waiting for lawmakers to act

Fee-based advice has been peddled as an alternative to commission-based advice. Customers would have to pay for that in the same way as for tax or legal advice. But what will happen to the many small investors who don't want to or can't pay for consultant fees? Never mind the fact that fee-charging consultants might not exactly welcome these types of clients. Will these customers be excluded from getting advice?

R. B.: "Let's be realistic: If you want to invest EUR 5,000 or 10,000, you normally don't need advice, but a simple, honest, and transparent product. ING-DiBa's website gives customers and interested parties a wealth of easy-to-follow information. What we want is well informed, critical customers.
Let's look at the reverse scenario: wealthy private clients who need advice on highly complex matters, for example for asset transfers or legitimate tax optimization, will not normally go to their bank consultants, but instead will seek advice from experienced tax advisors or specialized lawyers. There is absolutely no need for commission-based banking advice in either case."

You say the corporate culture is part of ING-DiBa's strategy. What exactly do you mean?

R. B.: "The satisfaction and motivation of our employees is indispensable for implementing our strategy successfully. Employees act as our "ambassadors" by taking our unique business model and internal corporate culture to the outside. To ensure that we adapt to the changing living and working conditions of our employees in the future, we introduced important improvements for our workforce as part of the pay negotiations with the trade union ver.di in 2012. They include, for example, a subsidy for childcare and for the cost of caring for a close relative. There are also arrangements for the right to a transitional allowance for future pensioners, a legal right to partial retirement, and the option to take out private preventive healthcare insurance free of charge. We did this to make a point. In times when many banks are announcing cost saving and redundancy programs, ING-DiBa continues to perform well. We want our employees to benefit from this performance as well. At the reporting date on December 31, 2012, our Bank employed 3,178 people, around six percent more than in the previous year."

> **"In order to continue doing justice to the changing conditions of our employees' lives and work, we have introduced important improvements for our workforce as part of the collective bargaining with the ver.di trade union."**

What do you expect from the current fiscal year and beyond?
R. B.: "We expect that steady growth will continue in both retail and commercial banking. Thanks to our business model, which has proved its worth in very different phases of economic development, and the strong, trusted brand that we have built over the years, we want to continue to win significant amounts of new customers in Germany and Austria. We will generate this growth organically and with excellent efficiency, and this will have a positive impact on our cost structure. Competitive pressure in retail banking will increase further, but we are well prepared. We want to remain a driver of change, especially with regard to commission-based advice, as mentioned earlier, which is not sustainable in my opinion. The sector still has a chance to take proactive steps that will make legislation unnecessary. And not least, we are of course looking forward to moving to our new building, "LEO," at our headquarters in Frankfurt am Main. It will bring us a bit closer again to the center of the financial hub."

"LEO"? You are referring to the ING logo. Are you saying ING-DiBa is a lion?
R. B.: "The name "LEO" originated in an ideas competition among ING-DiBa employees. "LEO" was suggested by a team of four female colleagues. It was put to the vote and received by far the most support from among all employees. But ING-DiBa does not see itself as a predator, if that's what you were hinting at. The lion does, however, stand for strength and confidence. It is one of the big five animals in the jungle. And relating it back to our sector, ING-DiBa is already in third place, as mentioned earlier."

Group Management Report

General Conditions

General economic conditions

2012 was another year dominated by the euro and sovereign debt crisis, even though there were signs of a slight improvement in the third and fourth quarters. The European Stability Mechanism (ESM), which entered into effect in 2012, and above all the announcement by Mario Draghi, the President of the European Central Bank (ECB), that, if necessary, unlimited volumes of problem countries' sovereign bonds would be bought to defend the common European currency contributed to calming the markets. Nonetheless, it will probably take a few years before the debt crisis in the southern European countries is overcome.

In January 2012, the rating agency Standard & Poor's cut France and Austria's top AAA rating as well as that of Europe's first temporary rescue facility, the European Financial Stability Facility (EFSF). In February, the second bailout package for Greece was approved. The eurozone countries signaled the prospect of further aid of up to EUR 130 billion. A few weeks later, 25 of the 27 EU member states signed the Fiscal Compact for greater budget discipline. But the crisis still continued to mount. Spain announced in June 2012 that it would apply for funds from the European rescue facility to help the country's troubled banks, becoming the fourth country in the eurozone to do so. In total, the EU provided EUR 100 billion in the form of guarantees for this purpose. The Mediterranean island of Cyprus also applied for aid from the bailout fund.

In response to the continuing debt crisis and increasing signs of a negative impact on Europe's economic development, the ECB reduced the key interest rate to 0.75 percent in July 2012, the lowest rate since the introduction of the euro. In this certainly challenging environment, the German economy proved surprisingly robust. Stable demand from abroad, primarily from China, but increasingly also from the USA again, filled the order books of German industry, especially in the first half of 2012. Not least, private domestic demand also provided a boost for the economy. At the beginning of the year under review, Germany recorded its lowest unemployment rate since 1991. According to information supplied by the German Federal Employment Agency, an average of 2.9 million people were unemployed in 2012, around 300,000 fewer than two years earlier. However, the high rates of unemployment in the southern European crisis countries are cause for concern.

The comments reflect the growing divergence of economic performance in the eurozone. Countries such as Germany, France, Austria, and Finland only experienced a slowdown in economic growth, while the crisis countries slid into a deep recession.

Another factor stimulating private consumption in Germany was the rise in people's buying power. According to calculations by the German Federal Ministry of Economics, the effective compensation per employee (gross wages and salaries) increased by 2.6 percent in the year under review, compared with 2.8 percent in 2011, making private consumption an important growth driver. Together with the buoyant export business of German industry, it ensured that Germany was largely unaffected by the European debt crisis in the first two quarters.

In the second half of the year, the success of these factors began to wane. The significant decline in demand for exports from the southern European crisis countries as well as slower economic growth in Asia and Latin America had a somewhat dampening effect on the economic situation. From the third quarter onward, many companies scaled down their capital expenditure. For this reason, economists expect economic growth to slow down sharply in the winter half-year of 2012/2013. Overall, gross domestic product (GDP) rose by 0.8 percent in the year under review, compared with 3.0 percent in the year before. Consumer prices increased by 2.0 percent in 2012, and thus more slowly than in the eurozone as a whole (2.5 percent). For the present at least, there are no convincing reasons for the inflation concerns arising in some parts of the population.

ING-DiBa has a branch in Austria, where economic performance was very similar to that in Germany. Austria's GDP grew by 0.8 percent in the year under review. Here, too, private consumption was a strong driving force of economic growth. After reporting the lowest unemployment rate in the EU in 2011, Austria recorded a marginal 0.1 percent increase in its unemployment rate to 4.3 percent in line with the slowing economy and the continuing rise in the labor supply. According to information supplied by the Österreichische Nationalbank, the country's inflation rate stood at 2.4 percent in the year under review, slightly higher than in Germany.

At 81.7 and 74.9 percent of GDP respectively, the total government debt ratio in both Germany and Austria was significantly below the average for the eurozone as a whole (almost 93.0 percent of GDP).

Industry environment

Performance in the banking industry also diverged between different countries of the European Union. While the financial institutions in the southern European crisis countries continued to be under considerable pressure and the government in Madrid had to seek funds from the European rescue facility for a number of Spanish banks and savings banks, the situation improved steadily in many other EU member states.

The results of a stress test of Spanish banks were announced in the fall of the year under review. Although they indicate that many troubled institutions in Spain need aid totaling almost EUR 60 billion, the country's three largest banks do not require any bailout funds.

Overall, however, the banking sector's situation was more stable in 2012 than in the earlier crisis years. According to information released by the European Banking Authority (EBA) in October 2012, following the stress tests carried out in 2011, Europe's banks have strengthened their capital positions by injecting fresh capital of around EUR 200 billion to improve their protection from future crises. The EBA's information related to a study on recapitalization, in which 71 European banks took part.

The study also included 12 German banks, all of which met the minimum core Tier 1 capital ratio of 9 percent. Based on information provided by Deutsche Bundesbank and the Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority, BaFin), the average core Tier 1 ratio of the participating German institutions was 10.7 percent. According to the European Commissioner for Internal Market and Services, Michel Barnier, this consolidation puts Europe's banks in a position to finance the real economy on a lasting basis. Nonetheless, this does not mean that the financial crisis has come to an end. Even in Germany, not all the institutions have achieved the planned goals.

In response to the financial crisis, the EU Commission in 2012 presented its plans for the introduction of a Banking Union, which is to come into effect in 2013. The key idea is to shift certain supervisory responsibilities in the eurozone to the European level – especially those that play a critical part in maintaining financial stability and in detecting risk to the continued existence of banks. The measures to be undertaken to this end include giving the European Central Bank (ECB) sweeping powers to supervise all banks in the eurozone. According to the EU Commission's plans, all systemically important banks are to be placed under the ECB's supervision from 1 July 2013 onward.

However, a new development emerged toward the end of 2012: Under Cyprus' presidency, the EU Council, which consists of the governments of the member states, tabled a draft that limits the ECB's role in the Banking Union. Under the new proposal, the ECB is to be responsible also for smaller and medium-sized financial institutions, but only in emergencies; in all other cases it is to refer to the national authorities. In November 2012, ECB President Mario Draghi also made it clear that the planned Banking Union did not necessarily mean that there would be a joint European deposit protection scheme. The establishment and financing of these types of protection schemes could remain under national responsibility, if their effectiveness was comparable.

Overview of business development

In spite of the continuing European debt crisis, the German economy proved relatively stable in the year under review, and there was a strong appetite for private consumption. This also had a positive effect on ING-DiBa's business performance.

In addition to the corporate center in Frankfurt, the financial institution is represented in Hanover and Nuremberg, as well as in Vienna through ING-DiBa Austria. Frankfurt is also home to the ING Bank Frankfurt branch, which was established in 2011. This branch of ING-DiBa is responsible for commercial banking. In addition to traditional corporate lending, including payment transactions, its range of services also include export financing and specialized lending.

The Bank is managed based on three segments: Retail Customer Assets, Retail Customer Loans, and Commercial Banking. Retail Customer Assets includes the core products of savings deposits, securities business, and current accounts. Retail Customer Loans includes mortgage loans and consumer loans. Commercial Banking manages the business relationships with large companies. The dedicated corporate customer business is managed in this segment.

ING-DiBa generated significant growth for all core products in the year under review. The number of customers rose again to almost 7.8 million on December 31, 2012 (previous year: more than 7.4 million). Just under 7.3 million customers can be attributed to Germany (previous year: 7.0 million) and almost 515,000 to Austria (previous year: 492,000). The fact that ING-DiBa was again able to add to an already high customer base in a difficult environment for banks under increasing competitive pressure shows that the strategy of customer-focused, fair banking pursued by ING-DiBa has clearly drawn a sustained excellent response in the market.

Business volume, comprising the total assets of Retail Customer Assets plus the securities account volume of the investment services business, Retail Customer Loans, and Commercial Banking, rose by 10.3 percent to EUR 182.3 billion at the end of the year under review, compared with EUR 165.3 billion as of December 31, 2011. Further details can be found in the notes regarding the development of the Retail Customer Assets, Retail Customer Loans, and Commercial Banking segments in this management report.

ING-DiBa generated EUR 1,182 million in net interest income during the fiscal year (previous year: EUR 1,303 million). Net commission income amounted to EUR 45 million as of December 31, 2012 (previous year: EUR 41 million). In fiscal year 2012, profit before tax amounted to EUR 486 million (previous year: EUR 660 million). ING-DiBa's total assets increased from EUR 109.5 billion in 2011 to EUR 120.3 billion as of December 31, 2012.

This means that ING-DiBa had another successful year, both in Germany and in Austria, amid signs that especially in times of uncertainty customers highly value transparency, attractive terms and conditions and a high-quality product portfolio of manageable size that is only expanded if this adds tangible benefits for the customer.

Since the summer of 2012, the Bank has been offering the “Riester-Rente Plus” retirement benefit product in cooperation with the direct insurer Hannoversche. As part of this package, Hannoversche’s multi-award-winning Riester pension product was made even more cost-effective for ING-DiBa customers.

In the reporting period, ING-DiBa consistently applied its strategy of offering through its business model an alternative to commission and fee-based consulting. ING-DiBa has for years provided consumers the information they need in order to make their own decisions.

The Bank received numerous awards again in 2012. For instance, ING-DiBa was chosen for the eighth time as the “Online broker of the year” by the readers of the investor magazine “Börse Online.” The competition is based on an independent survey conducted by the magazine. Almost 35,000 participants rated all important online brokers in Germany according to the German school marking system. ING-DiBa got the best marks in the “order processing,” “availability,” “internet and information offering,” and “customer focus” categories, and finished overall with the top mark of 1.5.

And what is more, in 2012 – for the sixth year in a row – readers of the “€uro” magazine voted ING-DiBa Germany’s “most popular bank.”

Through selected activities, the Bank continued to meet its corporate responsibility in the year under review. In September, for example, the “DiBaDu und Dein Verein” (DiBaDu and your organization) incentive program was launched for the second time under the patronage of Germany’s Federal Minister for Families, Kristina Schröder. As part of this initiative, the Bank provides a total of EUR 1 million in support of voluntary work and non-profit associations in Germany. Every non-profit association has the chance to get EUR 1,000 for the association’s coffers. In 2012, over 14,500 associations from all over Germany took part in this initiative.

ING-DiBa’s continuing success is based on a forward-looking business model that has stood the test of time:

As one of Germany’s leading banks, ING-DiBa opts not to operate any local branches. Instead, it offers its customers telephone or internet-based service round the clock. This business principle enables the Bank to maintain lean processes and keep costs down overall.

The Bank aims to offer a fairly balanced price-performance ratio by giving its customers the highest possible product and service quality on favorable terms and consumer-friendly conditions.

ING-DiBa wants its customers to be well informed. For this reason, the Bank is committed to providing objective consumer information and has for several years supported critical financial journalism through initiatives such as the Helmut Schmidt Journalist Award, which is sponsored by ING-DiBa.

ING-DiBa's business success was achieved thanks to the commitment of its 3,178 employees (previous year: 2,986), including 109 trainees (previous year: 110).

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

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 of savings deposits, securities business, and current accounts.

Savings deposits

In response to the European debt crisis, the European Central Bank (ECB) cut the key interest rate to a historic low. This makes it increasingly difficult for savers in Germany and Austria to generate reasonable returns on traditional savings deposits. Often, savers are primarily interested in investing their cash as safely as possible and earning interest that largely compensates for inflation at least.

In this environment, ING-DiBa benefited from the high level of customer confidence the Bank has won in the last few years. In view of the financial and euro crisis, most savers find trustworthiness more important than higher returns associated with increasing risks.

Against this background, ING-DiBa again achieved significant increases in savings deposits in the year under review. In this area, the number of accounts increased to 6.7 million (previous year: 6.4 million). The portfolio volume increased from EUR 85.9 billion at the end of 2011 to EUR 94.7 billion as of December 31, 2012.

Prompted by the ECB's cut in the key interest rate, ING-DiBa lowered the interest rate on the "Extra" call deposit account. The interest rate for deposits in this product was initially reduced to 1.50 percent as of March 15, 2012 and then to 1.25 percent as of August 1, 2012. There were several bonus campaigns to incentivize savers to open an Extra call deposit account in the course of the year. For example, from December 12, 2012 onward, customers received an attractive interest rate of 1.75 percent p.a. for a period of six months.

In addition to the Extra account, ING-DiBa offers fixed-term deposit accounts with terms of 3, 6, and 12 months. As from September 20, 2012, the Bank pays interest rates of between 1.25 percent p.a. (from EUR 10,000, 3-month term) and 1.70 percent p.a. (from EUR 50,000, 12-month term) for deposits in these accounts.

The Bank's product portfolio in this area also includes savings bonds, interest growth accounts with built-in tiered interest rates, and savings schemes within the scope of capital contribution benefits.

Securities business

Several factors coincided to provide impetus for the stock markets in the year under review. The ECB injected significant amounts of liquidity into the markets at the end of 2011 and in 2012.

The fears of a breakup of the eurozone gradually abated in the second half of 2012, and this also caused share prices to rise. This positive development benefited above all the German share index, DAX. In the course of the year, it returned to, and at times even exceeded, the highs achieved in 2011.

Nonetheless, the European debt crisis was responsible for several setbacks. Share prices in the European crisis countries fell, sometimes dramatically. On the whole, the stock exchanges were very sensitive to headlines. There were occasionally sharply contrasting price developments within a single trading day.

In spite of the positive performance of the German stock exchanges, investors were noticeably reticent in 2012. For instance, the trading volume on the Stuttgart Stock Exchange declined significantly compared with 2011. On Deutsche Börse's cash markets, the trading volume amounted to EUR 1.16 billion in 2012, down from EUR 1.51 billion a year earlier.

These developments are largely mirrored by ING-DiBa's business performance. The number of orders executed for customers declined to 5.9 million from 7.0 million orders in fiscal year 2011. By contrast, it was encouraging that the number of securities accounts maintained at the Bank rose to almost 896 thousand as of December 31, 2012 (previous year: 874 thousand). The securities account volume also increased to EUR 18.1 billion, after EUR 16.0 billion the year before. The fund volume included in these accounts amounted to approximately EUR 6.1 billion as of December 31, 2012 (previous year: EUR 5.7 billion).

As from November 1, 2012, ING-DiBa customers also have the option to trade on exchanges in the USA and Canada, with online access to these markets and order settlement in real time. There is no need to maintain foreign-currency accounts, because the orders are immediately settled in euros.

Current accounts

Another product that has enjoyed continuing success in the market is ING-DiBa's "current account": The number of current accounts maintained by our Bank rose to almost 968 thousand as of December 31, 2012 (previous year: 859 thousand). At the same time, the volume of deposits in the current accounts also increased to EUR 2.0 billion at the end of the year under review, from EUR 1.6 billion at the end of 2011. Overdrafts on current accounts amounted to EUR 196 million at the end of 2012 (previous year: EUR 179 million).

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 long-term mortgage loans and typically short-term consumer loans. Overall, the segment's performance was very encouraging in the year under review. The development of existing business was again positive, and new business continued to be of high quality.

Mortgage loans

Extremely low long-term interest rates and the "flight into real assets" triggered by the euro crisis combined to give Germany's real estate industry an excellent fiscal year 2012. According to information released by the German Federal Statistical Office, around 46 percent of all apartments and houses in Germany are currently occupied by their owners. This compares with an owner-occupied ratio of 41.6 percent in 2006.

In the year under review, ING-DiBa recorded confirmed new business of EUR 6.8 million, as against EUR 8.4 million in fiscal year 2011. As of December 31, 2012, the Bank mainained 730 thousand mortgage loan accounts (previous year: 673 thousand) with a portfolio volume of EUR 59.9 billion (previous year: EUR 56.5 billion).

In winning new business, ING-DiBa focused in particular on qualitative growth, thus continuing to optimize the risk structure in the loan portfolio. For this reason, the Bank's maxim is not "new business at any price," but selective growth with minimized risk. However, the growth in the portfolio volume, both in absolute terms and with regard to additional market share, as well as the increase in the number of customer accounts demonstrate that ING-DiBa continued on its growth path in the mortgage loans segment.

In addition to traditional financing of owner-occupied residential properties with fixed interest rates for between 5 and 15 years and repayment rates of between 1 and 10 percent p.a., ING-DiBa offers follow-up financing at favorable terms and conditions. At the customer's request, both new and follow-up financing can be combined with selected programs offered by the KfW development bank.

Possibilities for new financing include the KfW's programs for "residential property" as well as parts of the program for "energy-efficient construction." Since August 1, 2012, it has been possible to combine both new and follow-up financing with the KfW's program for "energy-efficient refurbishment – specific measures."

Consumer loans

The climate for private consumption remained very favorable in Germany in the year under review. The European debt crisis did not have any discernible impact on consumers' willingness to spend. And the 2012 Christmas season sales also satisfied the retail sector. Relatively low unemployment and a rise in real incomes stimulated private demand and helped the German economy to end the year 2012 with a small increase in GDP. Consumer spending in Austria developed in a similarly positive fashion.

This positive environment led to significant increases 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. The automobile loans and homeowners' loans products complement the offering.

The number of consumer loan accounts rose from around 364 thousand in the previous year to around 409 thousand as of December 31, 2012. The portfolio volume amounted to EUR 3.7 billion as of that date (previous year: EUR 3.1 billion). ING-DiBa does not offer consumer loans with price structures based on credit ratings and does not insist on contract components that place customers at a disadvantage – for example, compulsory residual debt insurance.

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 the traditional lending business, Commercial Banking also offers short to long-term export financing and structured project financing. 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 again successfully provided advice and support to a large number of well-known German and international clients in fiscal year 2012. 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 Commercial Banking customers amounted to around EUR 3.2 billion as of December 31, 2012 (previous year: EUR 1.6 billion). The doubling of loans and advances to customers resulted from the acquisition of real estate finance transactions from ING Real Estate Finance N.V., the Hague, the Netherlands, and transactions in sector-based structured finance assets from ING Bank N.V., Amsterdam, the Netherlands, and from new business. Amounts due to customers amounted to EUR 727 million as of December 31, 2012 (previous year: EUR 560 million).

Contingent liabilities stood at just under EUR 1.3 billion as of December 31, 2012 (previous year: EUR 1.4 billion) and irrevocable loan commitments amounted to around EUR 3.6 billion (previous year: EUR 3.0 billion).

Group Results of Operations

The following presents the year-on-year development of the key indicators with respect to results of operations. The corrections made to prior-year figures in accordance with IAS 8 are taken into account (see also section (j) of "Significant accounting policies" in the notes to the consolidated financial statements).

Income Statement	2012 € m	2011 € m	Change € m
Net interest income	1,182	1,303	−121
Net commission income	45	41	4
Other net income	−35	−26	−9
Risk provision	−83	−77	−6
Personnel expenses	−230	−203	−27
Other administrative expenses	−393	−378	−15
Profit before tax	486	660	−174
Income tax	−161	−211	50
Profit after tax	325	449	−124

In fiscal year 2012, the ING-DiBa Group generated EUR 486 million in profit before tax, which represented a year-on-year decline of 26 percent. The ING-DiBa Group thus managed to curb the decrease in earnings despite the difficult banking environment.

	2012 € m	2011 € m
Interest income		
Interest income from lending transactions	3,151	2,978
Total interest income from lending transactions	3,151	2,978
Interest income from available-for-sale securities	539	425
Interest income from held-to-maturity securities	107	256
Other interest income	−821	−680
Total interest income	2,976	2,979
Interest expenses		
Interest expenses on deposits from banks	−225	−204
Interest expenses on amounts due to customers	−1,542	−1,459
Interest expenses on securitized liabilities	−25	−7
Other interest expenses	−2	−6
Total interest expenses	−1,794	−1,676
Net interest income	1,182	1,303

Net interest income amounted to EUR 1,182 million, or 9 percent lower than the EUR 1,303 million generated in the previous year. This was due primarily to persistently – and in some cases historically – low overall interest rates during fiscal year 2012.

Interest income from lending transactions showed a positive development, increasing by EUR 173 million to EUR 3,151 million. This increase was due primarily to rising portfolio volumes in mortgage and consumer loans. The decrease in interest income from held-to-maturity securities was due to the reclassification of the entire held-to-maturity portfolio as securities available for sale. Interest income from available-for-sale securities increased accordingly (see the section on the financial position and cash flows). Other interest income, which also includes the net interest loss from hedge derivatives, declined from EUR −680 million to EUR −821 million. The sustained increase in deposit volumes resulted in an increase in interest expenses in relation to amounts due to customers.

Overall, interest income declined by EUR 3 million to EUR 2,976 million, while interest expenses increased by EUR 118 million to EUR 1,794 million.

Net commission income amounted to EUR 45 million in fiscal year 2012 (previous year: EUR 41 million). The year-on-year increase is attributable to the improvement in the negative result from other fees and commissions amounting to EUR 24 million, particularly as a result of income from the ING Bank branch's Commercial Banking business, which was included in the previous year on a pro rata basis for four months only. This increase was partially offset by the decrease in income from the securities business by EUR −18 million.

Net commission income in itself results primarily from income from the securities business amounting to EUR 70 million and other fees and commissions amounting to EUR −30 million.

Other net income includes net gains / losses on measurement of derivatives and hedged items, amounting to EUR 22 million (previous year: EUR −6 million), other net gains / losses on financial investments and investment property amounting to EUR −42 million (previous year: EUR −157 million) and other income and expenses amounting to EUR −15 million (previous year: EUR 137 million).

The increase in net gains / losses on the measurement of derivatives and hedged items is attributable primarily to the sustained high changes in the fair value of derivatives and hedged items as a result of historically low interest rates.

The increase in the result from financial investments and investment property of EUR 115 million was due primarily to the absence of the prior-year impairment expense recognized in respect to Greek government bonds amounting to EUR 136 million. In fiscal year 2012, risky financial investments were disposed of at a loss of EUR – 42 million (previous year: EUR – 21 million).

The decrease in other income and expenses was due primarily to a prepayment penalty of EUR 168 million collected in 2011 for the early termination of long-term loan agreements with ING Bank N.V., Amsterdam, the Netherlands.

During the fiscal year, the risk provision expenses increased year-on-year by EUR 6 million to a total of EUR 83 million, due to increased portfolio volumes.

Personnel expenses amounted to EUR 230 million, and were thus up 13 percent year-on-year. In addition to hiring new employees, the merger of the Commercial Banking business with the ING Bank branch in particular resulted in increased expenses, since these were only incurred on a pro rata basis in the previous year.

Other administrative expenses including depreciation, amortization and write-downs increased during the fiscal year from EUR 378 million to EUR 393 million. Here, too, the increase was due primarily to the integration of Commercial Banking.

Income taxes amounted to EUR 161 million (previous year: EUR 211 million), and consisted of EUR 177 million in current taxes (previous year: EUR 240 million) and deferred taxes of EUR 16 million (previous year: 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

The following presents the year-on-year development of the key indicators with respect to the Bank's financial position and cash flows as of December 31, 2012. The corrections made to prior-year figures in accordance with IAS 8 are taken into account (see section (j) of “Significant accounting policies” in the notes to the consolidated financial statements).

Balance sheet	12/31/2012 € m	12/31/2011 € m	Change € m	Change Percent
Assets				
Loans and advances to banks	7,337	5,791	1,546	27
Loans and advances to customers	82,082	74,732	7,350	10
Adjustment to portfolio fair value hedges	2,904	2,366	538	23
Financial investments	25,630	22,202	3,428	15
Derivatives with positive fair value	347	317	30	9
Other assets	1,989	4,055	– 2,066	– 51
Total assets	120,289	109,463	10,826	10
Liabilities				
Equity	6,065	5,452	613	11
Securitized liabilities	1,195	497	698	140
Deposits from banks	8,632	7,955	677	9
Due to customers	98,530	90,860	7,670	8
Derivatives with negative fair value	3,926	3,003	923	31
Other liabilities	1,941	1,696	245	14
Total equity and liabilities	120,289	109,463	10,826	10

The ING-DiBa Group’s total assets increased by 10 percent in fiscal year 2012 to EUR 120 billion (December 31, 2011: EUR 109 billion).

In fiscal year 2012, loans and advances to banks increased by EUR 1.5 billion to EUR 7.3 billion. The rise in loans on the interbank market is due in particular to the short-term investment of cash with Deutsche Bundesbank.

During fiscal year 2012, loans and advances to customers increased from EUR 74.7 billion to EUR 82.1 billion, primarily as a result of increased portfolio volumes for consumer and mortgage loans. In addition, investments were made in Dutch residential mortgage-backed securities.

The portfolio of financial investments also increased in 2012 from EUR 3.4 billion to EUR 25.6 billion. The increase was attributable primarily to the acquisition of an ING Bank bond. To mitigate risk, in fiscal year 2012, Spanish and Italian government bonds were sold, which had originally been allocated to the “held-to-maturity” measurement category. The entire held-to-maturity portfolio was reclassified as a result. The financial instruments concerned were transferred to the available-for-sale category at their fair values at the time of re-classification.

The derivatives with positive fair value of EUR 0.3 billion and the derivatives with negative fair value of EUR 3.9 billion are related to the Bank's hedging transactions as of December 31, 2012. The majority of that amount relates to derivatives used in hedge accounting.

On the liabilities side, securitized liabilities increased during fiscal year 2012 by EUR 0.7 billion to EUR 1.2 billion as a result of further issues.

Deposits from banks also increased during fiscal year 2012 by 9 percent to EUR 8.6 billion. The primary reason for this increase was the increase in refinancing liabilities from KfW development loans.

Despite the generally low market interest rate level in fiscal year 2012, ING-DiBa again increased its deposit volume. Amounts due to customers increased by 8 percent or EUR 7.7 billion to EUR 98.5 billion. This was due to an increase in customer time deposits and call deposit accounts, for which bonus campaigns were conducted in the course of the year. As of December 31, 2012, customers held more than 6.7 million savings accounts with ING-DiBa.

Equity increased in fiscal year 2012 from EUR 5.5 billion to EUR 6.1 billion. All of ING-DiBa's share capital was held by ING Deutschland GmbH, Frankfurt am Main, on December 31, 2012.

ING-DiBa participates in the deposit protection fund of the Bundesverband deutscher Banken e.V. (Association of German Banks), Berlin. 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

Significant events after the close of the fiscal year

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

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 risk relates to the potential loss resulting from a change in market parameters. In this risk category, ING-DiBa differentiates between interest rate risk and spread risk. Interest rate risk arises from a potential loss resulting from a change in the risk-free interest rate. Spread risk describes the risk that the price of a financial instrument changes at a higher or lower rate than the market as a whole.

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 (funding liquidity risk) as well as the risk of a shortfall in proceeds from the sale of assets due to market conditions (market liquidity risk).

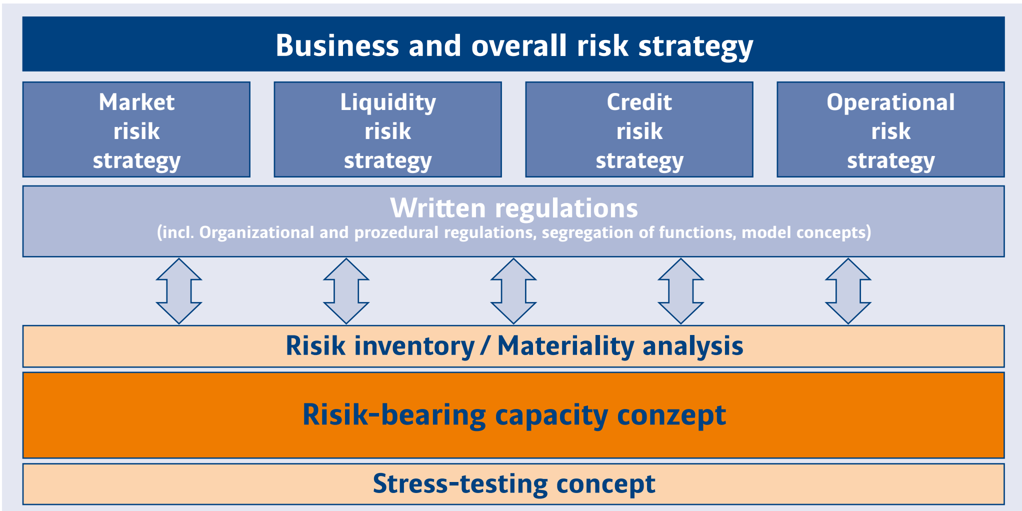
Traditional credit risk is a component of counterparty default risk and represents the risk of a loss due to the default or deterioration in creditworthiness of an external counterparty.

Operational risk signifies the risk of losses incurred as a result of inappropriate or failed 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.

Organization

The full Management Board is responsible for the organization of risk management at ING-DiBa, including its branch offices, Group companies, and equity investments. 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 written regulations 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 full 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 Market & Liquidity Risk Management department is responsible for managing ING-DiBa's market price and liquidity risks. The Risk Management department is responsible for managing ING-DiBa's counterparty default and operational risks throughout the Group. The compliance and anti-money laundering tasks have been bundled in a separate department. All the above units report directly to the Chief Risk Officer.

Risk committees

The Bank's Management Board has 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 full Management Board as well as representatives of the relevant divisions.

The Credit Risk Committee (CRC) deals with the identification, measurement, management, and monitoring of counterparty default and credit risk. Its special duties include, for example, the definition of specifications and guidelines for the lending business, the limit allocation for counterparty default risks, the definition of the limit system, and approval of risk measurement methods and models. In addition to the full Management Board, the CRC's members comprise representatives of the relevant divisions.

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 designated line managers. The committee is made up of the full Management Board as well as representatives of the relevant divisions.

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 regulations. In conjunction with the risk-bearing capacity, the overall risk strategy reflects the Bank's risk appetite.

The deliberate and controlled acceptance of risks within a prescribed range in return for appropriate compensation for the risk is a key prerequisite for a bank to generate 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 incur (or not to incur) and control risks.

The Bank's strategic risk orientation is derived from the idea of fairness and ING-DiBa's express focus 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.

The Risk-Bearing Capacity Concept was modified as of January 1, 2012. The changes made resulted from the further development and optimization of definitions relating to risk-taking capital and the limitation and risk quantification of individual risk categories.

Under the revised concept, the Bank's risk-bearing capacity has been assessed from both a balance sheet-based going-concern as well as a value-based gone-concern perspective. The two approaches define different risk management steering approaches in a bank, which differ according to the extent to which they use the risk potential.

While the going-concern approach focuses on the continued existence of the business, the gone-concern approach prioritizes the protection of creditors. ING-DiBa takes both approaches into account, although management has defined the going-concern perspective as the primary management approach.

In order to determine the overall risk position, the individual risk types are first observed separately. Each risk type is quantified using appropriate models. When quantifying the 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). The interest rate and spread risk is quantified using periodic analysis as well as present-value analysis on the basis of internal simulation models.

Risk-taking potential and risk limits

Both risk management steering approaches only allocate a portion of the risk-taking potential 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 are established annually by the ALCO and are based on the business strategy and the associated risk appetite of the Management Board.

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. No diversification effects between the risk types are currently considered.

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

Under the balance-sheet-based going-concern approach, risk-bearing capacity is managed in such a way that the Bank can continue to operate, while complying with the regulatory minimum capital requirements, even if all items of the risk-taking potential are consumed by risks that have materialized. The risk-taking potential is calculated factoring in the allocable portion of regulatory modified equity and components of the current and future reporting periods based on HGB accounting.

The Bank’s risk-bearing capacity was ensured at all times during the course of the 2012 fiscal year. The existing limits were not exceeded.

	12/31/2012 Limits € m	12/31/2012 Utilization of limit Percent limit	12/31/2011 Limits * € m	12/31/2011 Utilization of limit * Percent limit
Counterparty default risk	270	66	270	60
Market price risk	1,100	81	1,100	85
Operational risk	30	77	30	70
Overall limit and limit utilization	1,400	78	1,400	80
Risk-taking capital and utilization	2,272	48	1,914	58

* Due to the introduction of the revised Risk-Bearing Capacity Concept as of January 1, 2012, the prior-year figures in the table have been adjusted to facilitate comparison on the basis of a test calculation under the new concept as of December 31, 2011.

ING-DiBa's risk-taking capital amounted to EUR 2,272 million as of December 31, 2012, an increase of EUR 358 million compared with the previous year (EUR 1,914 million). The main reason for the increase was the addition to regulatory capital, and in particular the contribution of EUR 352 million to the fund for general banking risks under section 340g of the German Commercial Code (Handelsgesetzbuch, "HGB") made in the adopted 2011 annual financial statements.

The utilization of the overall limit decreased slightly in comparison with the previous year and amounted to 78 percent as of December 31, 2012 (previous year: 80 percent). The utilization of risk-taking capital as of the end of the reporting period decreased to 48 percent year-on-year because of an increase in the risk-taking capital (previous year: 58 percent).

The limit buffer remained unchanged year-on-year, and amounted to EUR 150 million as of the end of the reporting period. The risk-taking potential thus amounted to EUR 2,422 million as of December 31, 2012 (previous year: EUR 2,064 million).

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 reverse 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 going-concern assumption in 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. The review is carried out for all risk types relevant to the Risk-Bearing Capacity Concept. The results of the representative stress tests across risk categories conducted as of December 31, 2012, show that the available risk-taking capital also sufficiently covers the overall risk exposure under the stress conditions observed.

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 has 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 expressed through an increase in the probability of default as well as through 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 is 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 and the liquidity situation. Potential management input is also derived for the future. In addition, the Bank performs reverse stress tests for counterparty default, liquidity, and market price risks.

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.

In the institutional business and in Commercial Banking, concentrations on selected clients, industries, and asset classes are accepted intentionally. They are accepted against the background of the sizes specified and target customers defined under the strategic business orientation and are monitored regularly. Moreover, in addition to the stress tests described already, risk concentrations for counterparty default risks are taken into account in the design of the stress tests. To this end, stress tests are regularly conducted on counterparty, industry, and country concentrations and the results analyzed.

The objective of risk management activities is to detect risk concentrations early and to find opportunities for diversification, if necessary. The Bank has defined specific limits outside the Risk-Bearing Capacity Concept for the management of concentrations for each business segment. The limits are regularly reviewed and adjusted as necessary. In addition, all loan portfolios are analyzed for potential concentrations in separate concentration reports.

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.

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.

An intentional concentration of refinancing through retail savings deposits, which in turn make up a very granular portfolio, is accepted with respect to liquidity risks, given 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 KfW for the granting of home mortgage loans represents another long-term source 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 are responsible for risk reporting, which is directed to the Chief Risk Officer or the full 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.

The reports are tailored to the significance of the risks and 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 informed promptly of all relevant changes and deviations.

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

Risk utilization by individual risk type is documented in 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), which is the potential loss resulting from a change in the risk-free interest rate, and spread risk, which ING-DiBa defines as a residual risk, i.e., the risk that the value of a financial instrument changes at a higher or lower rate than the market as a whole.

The assumption of currency risk (also exchange rate risk), i.e., the risk that changes in one or more foreign currency exchange rates will reduce the value of a position, is not part of the Bank's core business activities. Foreign currency transactions are only entered into in connection with customer transactions and are always closed out directly by entering into corresponding counter-transactions. 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 to potential changes in value resulting from market fluctuations of the volatilities applied to the option valuation. These changes may reduce the value 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 (e.g., unscheduled repayment in the case of mortgage loans and installment loans, or withdrawals from Extra accounts) due to market fluctuations.

Share price risk and commodities risk are irrelevant for ING-DiBa's business. Exposure to fund price risk is not material.

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. To maintain the segregation of functions, Treasury's trading activities 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.

Positions are not intentionally left open in order to speculate specifically on certain changes in market price parameters. The Bank does not enter into trades with the intention of generating short-term profits by taking advantage of market price fluctuations. Therefore, the Bank does not use its 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, market price risks may only be incurred at ING-DiBa 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 to this type of risk.

The following goals are pursued to ensure the Bank's continued existence as a going concern:

- To ensure the sustainability of the earnings and capital base as well as the security of customer deposits
- To take even unexpected market developments into account and to avoid unacceptable market price risk
- To ensure sufficient leeway to adjust terms and conditions in the event of unfavorable changes in market interest rates
- To limit de facto locked-in interest rates such that positive net income can be generated for the period and there is no significant negative impact on the present value of the Company in the event of unexpectedly significant changes in interest rates
- To minimize currency risk
- To create transparency about accepted and potential market price risks
- To comply with legal, regulatory, Company-internal, and Group-wide guidelines.

Operational risk management and risk control

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

- To ensure position data is entered correctly
- To check that limits are complied with and to grant approval in case limits are exceeded
- To identify, measure, and manage market price risks
- To prepare, maintain, and further develop market price risk models
- To keep management adequately informed of the risk situation
- To conduct scenario analyses and stress tests.

The Bank pursues a dual management approach to dealing with interest rate risk. ING-DiBa analyzes the effects of interest rate risk firstly on net interest income from a periodic perspective and secondly on the Bank's economic value as part of the present value analysis.

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, taking planned future new business into account. 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 has been 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) approach on the basis of a detailed present value model as a metric for measuring the effect of the interest rate risk on present value. Economic value 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 less the carrying amount of shareholders' equity. It is 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 value at risk 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.

To quantify spread risk, the Bank calculates each month the effect of historical spread changes on the fair value of its investment portfolio, both from a dynamic perspective, analyzing the potential write-down risks, and from a purely economic ad hoc perspective. Both key indicators are incorporated into the calculation of risk-bearing capacity.

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 by +100 or −100 basis points (bp). Following the ad hoc change, the analysis assumes that the interest rate remains at the changed level for one year.

The table below shows the results of measuring the sensitivity of net interest income:

Sensitivity of net interest income Scenario	12/31/2012 Percent	12/31/2011 Percent
+ 100 bp	5.28	− 0.73
− 100 bp	35.85	11.81

As of December 31, 2012, assuming a parallel interest rate increase of +100 basis points, the results of the sensitivity analysis show a 5.28 percent increase in net interest income compared with the starting point (previous year: − 0.73 percent). The year-on-year increase in sensitivity was primarily due to a year-on-year reduction in the duration of investments and the resulting acceleration in the rate of adjustments to assets to reflect changes in market interest rates. Assuming a parallel interest rate decrease of 100 basis points, net interest income would have increased by 35.85 percent (previous year: 11.81 percent) based on the current low market interest rates.

The following table shows the results of the sensitivity analysis on economic value. The analysis illustrates the impacts of interest rate changes on the present value of the Bank as a whole. The change in the present value of the Bank as a whole cannot be linked directly to the impact on the income statement or equity. The greatest portion of the changes in present value arise from items not measured at fair value; changes in the value of those items thus have no impact on the statement of financial position.

Sensitivity of economic value Scenario	12/31/2012 Percent	12/31/2011 Percent
+ 100 bp	3.77	3.57
− 100 bp	− 1.64	− 5.66

Assuming an interest rate shock of +100 basis points, the economic value as of December 31, 2012 would increase by +3.77 percent (previous year: +3.57 percent), whereas a negative change of – 1.64 percent would result from a decrease in the interest rate (previous year: – 5.66 percent). While interest rate sensitivity continued at a low level, the gap between the scenarios narrowed compared with the previous year.

The following table provides an overview of the results of the sensitivity analysis for the revaluation reserve as a component of equity. The analysis reveals the impacts of interest rate shocks on the items categorized as available-for-sale (AfS) which are measured at fair value outside profit or loss.

Sensitivity of revaluation reserve Scenario	12/31/2012 € m	12/31/2011 € m
+ 100 bp	– 442	– 482
– 100 bp	308	515

Assuming an interest rate shock of +100 basis points, the revaluation reserve as of December 31, 2012 would decrease by EUR – 442 million (previous year: EUR – 482 million), whereas a positive change of EUR 308 million would result from a decrease in the interest rate (previous year: EUR +515 million).

The table below provides an overview of the results of the sensitivity analysis for profit or loss. The analysis reveals the impacts of interest rate shocks on the items measured at fair value through profit or loss.

Sensitivity of profit or loss Scenario	12/31/2012 € m	12/31/2011 € m
+ 100 bp	– 20	– 37
– 100 bp	19	36

Assuming an interest rate shock of +100 basis points, the profit or loss as of December 31, 2012 would decrease by EUR – 20 million (previous year: EUR – 37 million), whereas a positive change of EUR +19 million would result from a decrease in the interest rate (previous year: +36 million).

Limitation

The direction, extent, and timing of changes in 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 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. There are reporting lines to the local ALCO and the ALCO of the parent company, and the respective board members are automatically included. Reporting provides information on monitoring of the limits and requirements in place. The Supervisory Board is informed of the risk situation at least once a quarter. In addition, ad hoc reports are provided in the event of special or unexpected developments.

Monitoring and management of liquidity risks

Risk definition

Liquidity risk is not an actively generated risk, but a by-product of the Bank's 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) may, in an extreme case, result in the institution no longer being able to meet its payment obligations or may be reflected in a decrease in net income.

With respect to liquidity risk, the Bank therefore differentiates between

- The risk of insolvency (liquidity risk in the narrow sense), i.e., the risk that the Bank cannot meet its payment obligations in full or on time.

- The funding liquidity risk, i.e., the risk of potential loss of earnings that arises as a result of a deterioration in the Bank's refinancing terms and conditions on the money or capital market. The most important cause is a change in the Bank's credit rating by other market participants.

- The market liquidity risk, i.e., the risk of potential losses that have to be carried if low levels of liquidity in individual market segments require transactions to be entered into on terms and conditions that do not correspond to fair market value. Market liquidity risks may result primarily from securities positions in the trading and banking books.

Organization

The Management Board is responsible 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 could lead to insolvency.

Consequently, the primary goal of the liquidity risk strategy is to ensure 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 pursued to ensure the Bank's continued existence as a going concern:

- To ensure solvency at all times (provision of adequate liquidity reserves) under normal conditions and in stress situations
- To ensure liquidity risk in the narrow sense is managed adequately for the management of the Bank's expected liquidity requirements
- To provide an appropriate liquidity buffer in order to close financing gaps in a crisis situation
- To comply with legal, regulatory, Company-internal, and Group-wide guidelines
- To maintain an adequate liquidity crisis organization

Liquidity contingency plan

ING-DiBa has established a liquidity contingency plan, which 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 contingency plan is the core element of liquidity management in crisis situations. It includes the following aspects:

- Defined criteria to initiate the liquidity contingency 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 and 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, 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 representatives of the departments responsible.

The most important tasks include assessing the crisis situation as well as activating and executing the liquidity contingency plan. The chairman of the local liquidity crisis management team acts as the contact person for communication with ING.

Operational risk management and risk control

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:

- To ensure position data is entered correctly
- To check that limits are complied with and to grant approval in case limits are exceeded
- To determine the medium and long-term refinancing structure within the scope of multi-period planning
- To measure and manage liquidity risk
- To prepare, maintain, and further develop the liquidity risk model
- To keep management adequately informed of the risk situation
- To execute stress tests
- To determine internal transfer prices for liquidity
- To monitor transactions with Group companies from a liquidity perspective
- To develop and implement a contingency plan for liquidity risks.

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

Refinancing structure	12/31/2012 Percent	12/31/2011 Percent
Due to customers	82	83
of which variable-interest savings deposits	59	60
of which fixed-interest savings deposits	20	19
of which deposits in current accounts	3	2
of which other deposits	0	2
Other liabilities	13	12
Equity	5	5
Equity and liabilities	100	100

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 approximately EUR 8 billion in the reporting period. At 82 percent (previous year: 83 percent), the ratio of amounts due to customers to total liabilities in fiscal year 2012 was at a similarly high level as on December 31, 2011. Other liabilities essentially include securitized liabilities in connection with Pfandbrief issues and amounts due to banks and increased in fiscal year 2012 to 13 percent (previous year: 12 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 the 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, which are 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
- Use of KfW global loans for lendings related to residential properties
- Long-term refinancing on the capital market through Pfandbrief issues

The rating agency Moody's has rated ING-DiBa A2 due to its robust business profile in conjunction with its earnings power and capitalization. The Bank's own Pfandbriefe currently remain rated AAA.

Insolvency risk is regularly monitored by the Market & Liquidity Risk Management department by means of scenario analysis on the basis of a cash flow-based gap calculation and quantified by mapping the liquidity ratio. The funding liquidity 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.

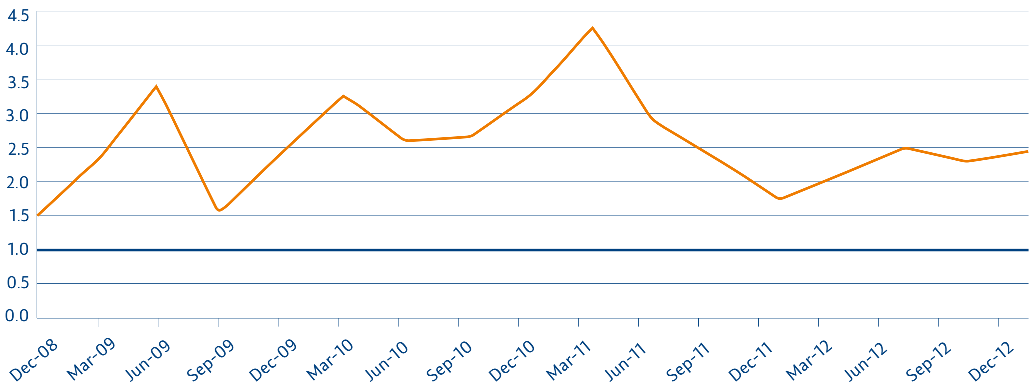
The funding matrix for the next twelve months is reviewed as part of the scenario analyses under various assumptions about expected future development.

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

The liquidity ratio (ratio of freely marketable securities to the accumulated liquidity requirement) is calculated in this context: A surplus must be guaranteed at all times, in all scenarios, and for all maturities, i.e., the liquidity ratio must be at least 1.0.

The diagram below shows the development of the liquidity ratio for the review period of one month over the course of the last four years. The least favorable of the scenarios observed is used in the periodic risk analysis. Despite the worst assumptions, in particular in the form of massive outflows of customer deposits, the metric was always above the limit:

Development of the liquidity ratio for the one-month review period – stress scenario (Minimal Value = 1)



The liquidity ratio was stable in the period under review. The high level of short-term money market positions had declined by the end of 2011. As of December 31, 2012, the liquidity ratio was at a normal level of 2.44 (previous year: 1.77).

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

Limitation

The liquidity risk in the narrow sense is not backed by capital, because it is measured at payment, not at earnings level. To ensure solvency, limits are therefore placed on maximum liquidity gaps in the simulation analysis maturity buckets. The funding liquidity risk is validated on the basis of stress tests and, if material, included in the Risk-Bearing Capacity Concept via a limit buffer. The market liquidity risk is covered in the Risk-Bearing Capacity Concept through the capital charge for market price risk.

Liquidity risk reporting

The Market & Liquidity Risk Management department is responsible for reporting on liquidity risks. The reports are tailored to the significance of the risks, include all important regulatory and internally required contents, and are regularly prepared at daily, weekly, monthly, or quarterly intervals. The reports are addressed to the full 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 to ING. 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 counterparty default risks

Risk definition

The Bank defines counterparty default risk and credit risk as the risk of potential losses, which can arise due to changes in the credit rating, impending illiquidity, or even insolvency of a business partner. Counterparty default risk takes the following forms:

Default and migration risks constitute the risk of a loss due to the non-repayment of capital loaned to the borrower. Losses may also be triggered by changes in the credit rating. 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 resulting from the default of a contractual partner or the deterioration in their credit rating. It is associated with risks of unrealized gains on executory contracts. This risk is also referred to as replacement risk. It relates to the additional expense of entering into a new contract to replace the lost business.

Settlement risk constitutes the risk that a contractual partner does not fulfill their end of a contract after the Bank has already met its obligations or the compensatory payment is not made in cases where both parties' deliveries are to be offset. Settlement risk can be eliminated if the correct value of the equivalent is acquired in advance from the contractual partner or is to be acquired on the basis of delivery versus payment, or if there is sufficient cover.

Country risks relate to potential losses that arise despite the debtor's solvency and willingness to pay due to overriding government impediments (transfer risk).

Organization

Under its overall responsibility, the full Management Board has defined a 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 has been given responsibility by the Management Board for 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 operational limit monitoring and reporting function. 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 full Management Board.

The Management Board has transferred responsibility for the operational management of credit risks resulting from Commercial Banking in the ING Bank branch to the Corporate Credit Risk Management department and the Structured Finance Credit Risk Management, 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.

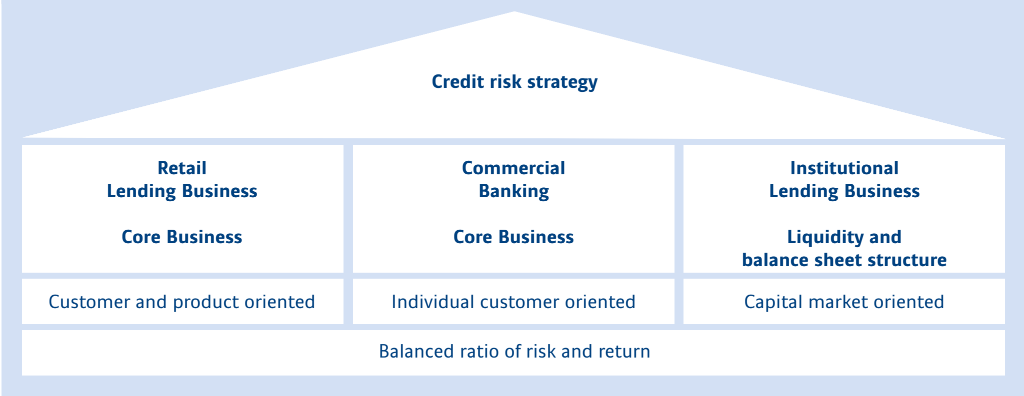
The functional and hierarchical separation of the business is ensured by the division of responsibilities according to ING-DiBa's organizational chart.

Credit risk strategy

ING-DiBa's credit risk strategy is based 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. Importance is attached to high product quality and a balanced ratio of returns and risk for all loan transactions. In addition, the Bank practices strict risk selection and concentrates on borrowers in good financial standing.

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

Credit risik strategy



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, though the high-volume real estate business forms the exception and is intentionally held at a low level.

Commercial Banking at the ING Bank branch offers its customers a comprehensive range of tailored financing solutions. Commercial Banking's lending business has two divisions. On the one hand, the Bank offers traditional lending and payment transactions in the Corporate Lending and Financial Institutions Lending division. The focus is on companies with investment-grade ratings, in particular large corporates. In addition, ING Group customers (primarily German subsidiaries of companies based in Benelux countries) receive local support. On the other hand, the Bank offers products in the areas of export financing and specialized lending, as well as specialized financing forms for selected companies in its Structured Finance Products division.

The capital market-oriented institutional business is used for the purposes of the Bank's liquidity management and asset/liability management. For this reason, the guiding principle for the institutional lending business is "security and liquidity before returns." In line with this principle, ING-DiBa has established a restrictive spectrum of permitted counterparties and transactions in the institutional business. 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 in the market. New business in this area is limited to investments in securitizations of Dutch retail mortgage loans granted by ING. In light of the sovereign debt crisis in Europe, the Bank intentionally avoids exposures in critical countries and has reduced existing exposures almost completely.

Operational risk management and risk control

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.

Management elements of the Bank's credit risk strategy			
Credit risk policy	Credit risk measurement	Credit risk management	Credit risk control
• Strategic specifications • Product policy • Risk appetite & scoring	• IRBA models • EL & risk costs (PBIA & SIA) • UL, RWA	• Credit policies • Processes • Resources • Monitoring/ early detection • Portfolio-based management	• Limit monitoring • Reporting

IRBA Internal Ratings-Based Approach; 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 focuses on high-quality products and services for its customers in accordance with ING-DiBa's general strategic orientation and the guidelines for the lending 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 business 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 focused 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 is on highly liquid investments as defined by the Basel III regulations.

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 / German 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 are used in particular to calculate expected and unexpected losses on 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, ING. In the commercial banking and institutional business, ING-DiBa uses the global IRBA models devised 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 independently reviewed on an annual basis by ING's Group-wide model validation unit. In this way, potential changes in the loss history impacting 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 control measures and loan processes. Credit approvals are provided according to an established system of authorities, which acts as a framework within which decision-making individuals or bodies are authorized to approve lending transactions.

The adequate segregation of functions between 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, the loan decision-making authority lies with ING-DiBa's full 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 full 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.

Risk profile monitoring 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.

In addition, the approval processes are applied to ensure the risk profile in commercial banking and in the institutional lending business is managed efficiently. They are embedded in ING's Group-wide credit risk management and include both a comprehensive assessment of each customer's financial standing as well as an estimate of the appropriateness of the planned transaction volume. Moreover, industry, market, and rating changes are observed on an ongoing basis. The standard early risk detection measures also include monitoring late interest and capital payments and a number of other indicators. 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 periodically 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 market fluctuation concept for residential units produced by the German Banking Industry Committee of the Bundesverband deutscher Banken e.V., Berlin, (Association of German Banks). The market 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.

In commercial banking, especially for major clients with a good financial standing, there is a strong focus on contractually agreed equal treatment of creditors. Guarantee collateral is also very important. Examples include structured export financing, where the economic and political risk is covered by government export credit insurance. A broad base of collateral is used for further structured finance products, e.g., security on the basis of cash flows, the transfer of ownership of fixed and current assets, as well as the assignment of receivables.

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-value 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 relationships and conducts additional ad hoc analyses as deemed necessary.

Besides the options to adapt payment modalities provided under the regular terms and conditions of each product, the Bank also offers limited-term modifications in clearly defined circumstances. It is not possible to completely suspend interest and principal repayments in this context. This "renegotiated" credit volume is generally of minor significance for ING-DiBa.

Prior to the date on which the lending commitment is terminated, intensified management of retail loans in arrears is the responsibility of the team specialized in dunning procedures within the mortgage loan and other retail loans product area. Subsequently, 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 industry trends occur in the commercial banking or institutional business, or information is obtained about a borrower's potential 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 control

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 recent changes in the risk structure of the loan portfolios and the results of detailed risk analyses are included in periodic reports to the Management Board and the designated 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 and whenever necessary. Reports to the decision-makers also include measures and recommendations for dealing with credit risks.

The monthly credit risk reports are supplemented with the quarterly credit risk report in accordance with Ma-Risk provided to the full Management Board and the Credit Committee of the Supervisory Board.

Loan portfolio

Unless otherwise specified, all quantitative data referenced in the risk report below 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 fixed-interest periods of five, ten, and fifteen years. Property can only serve as collateral if it is located in Germany and exclusively used for residential purposes. The focus in mortgage lending is on standardized retail business. 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 fiscal year 2012, new mortgage lending business developed in line with expectations. The confirmed volume was approximately EUR 6.8 billion (previous year: EUR 8.4 billion). The risk profile of new business was kept at the excellent level achieved in the previous year. 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.

As in the previous fiscal year, there was increased demand for consumer loans. The confirmed new loan volume increased again by a double-digit figure (29.6 percent; previous year: 38.3 percent) to around EUR 1.4 billion at year-end. And there was continued strong demand for current accounts in 2012.

The lending business in the Corporate Lending and Financial Institutions Lending sections of Commercial Banking 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 (investment-grade) corporates in sound financial standing. In addition to traditional loan products for financing 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 a point of focus in Structured Finance, where 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. In addition, in the interest of product and feature diversification, the Bank offers other special forms of finance, such as infrastructure finance. The expansion of the Commercial Banking segment continued successfully in 2012. The total loan volume climbed to around EUR 4.9 billion at the end of 2012 (previous year: EUR 3.4 billion).

ING-DiBa's investment policy in the institutional business is primarily aimed at 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 is on interest-bearing bonds of German development banks as well as on collateralized (i.e., covered) bonds. In addition, the Bank continued in fiscal year 2012 to use the attractive investment opportunities within the Group to facilitate asset/liability management. Intra-Group investments primarily consist of selected fully collateralized RMBS securitizations of ING, based on top-rated asset pools. The sound risk profile of these products is reflected in their Aaa rating. This decision was made against the background of high-quality assets and regular access to data, 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 41.6 percent (previous year: 36.8 percent) and the Netherlands at 29.4 percent (previous year: 26.1 percent) still accounting for the largest share. In light of the continuing debt crisis in Europe, ING-DiBa is careful to avoid exposures to critical countries (Portugal, Italy, Ireland, Greece, and Spain) and to systematically reduce existing exposures. The Bank's direct exposure to these countries and public bodies in these countries has been completely eliminated. The exception to this is a Greek GDP warrant which the Bank received in a voluntary exchange of Greek government bonds; the carrying amount of this warrant is less than EUR 1 million. Please refer to the section entitled "Regional breakdown of the loan portfolio" for a detailed presentation of the overall exposure.

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 issues are only ever 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 continues to have a very positive risk structure with around 80.6 percent comprising AAA/AA-rated exposures as of the end of the year (previous year: 82.0 percent).

Industry structure of the loan portfolio

The overviews below show the composition of the loan portfolio broken down by sector. 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 lending business (mortgage loans, installment loans, lines of credit, current accounts) in Germany. Since the Austrian branch's only retail loan product is a selectively marketed installment loan, the lending business of the Austrian branch is classified as irrelevant from a risk perspective. The Austrian branch's installment loan portfolio included loans and advances of EUR 96.5 million as of December 31, 2012 (previous year: EUR 83.1 million).

In addition, ING-DiBa has a gradually decreasing amount of legacy mortgage loans to legal entities, amounting to EUR 7.5 million at the end of 2012 (previous year: EUR 14.2 million). Given the inactive business operations of this segment and the immateriality, this portfolio is not the main focus of management decisions and is not classified as risk-relevant.

The above lending business which is categorized as irrelevant in terms of risk is not included in the following tables.

Distribution of the overall portfolio by sector (percentage distribution)

	Retail		Institutional	
	12/31/2012 Percent	12/31/2011 Percent	12/31/2012 Percent	12/31/2011 Percent
Retail customers	100.0	100.0	0.0	0.0
Pfandbriefe/covered securities[1]	0.0	0.0	30.1	32.7
Governments/local authorities	0.0	0.0	36.4	32.4
Banks/financial institutions (unsecured)	0.0	0.0	0.3	1.3
ABS/MBS[2]	0.0	0.0	24.4	25.6
Repos	0.0	0.0	2.0	4.4
Corporate lending	0.0	0.0	0.1	0.0
Structured finance	0.0	0.0	0.0	0.0
Intercompany (ING)	0.0	0.0	6.7	3.6
Total	100.0	100.0	100.0	100.0

	Commercial Banking		Total	
	12/31/2012 Percent	12/31/2011 Percent	12/31/2012 Percent	12/31/2011 Percent
Retail customers	0.0	0.0	57.8	58.4
Pfandbriefe/covered securities[1]	0.0	0.0	11.3	12.5
Governments/local authorities	0.0	0.0	13.7	12.4
Banks/ financial institutions (unsecured)	0.0	0.0	0.1	0.5
ABS/MBS[2]	0.0	0.0	9.2	9.8
Repos	0.0	0.0	0.7	1.7
Corporate lending	48.9	56.4	2.3	1.9
Structured finance	48.1	36.6	2.2	1.2
Intercompany (ING)	3.0	7.0	2.7	1.6
Total	100.0	100.0	100.0	100.0

Distribution of the overall portfolio by sector (nominal values)

	Retail		Institutional	
	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m
Retail customers	63,323.5	59,393.1	0.0	0.0
Pfandbriefe / covered securities[1]	0.0	0.0	12,394.0	12,763.6
Governments / local authorities	0.0	0.0	15,015.0	12,639.7
Banks/ financial institutions (unsecured)	0.0	0.0	140.0	495.0
ABS / MBS[2]	0.0	0.0	10,063.6	10,012.2
Repos	0.0	0.0	815.3	1,701.8
Corporate lending	0.0	0.0	50.0	0.0
Structured finance	0.0	0.0	0.0	0.0
Intercompany (ING)	0.0	0.0	2,756.3	1,409.2
Total	63,323.5	59,393.1	41,234.2	39,021.5

	Commercial Banking		Total	
	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m
Retail customers	0.0	0.0	63,323.5	59,393.1
Pfandbriefe / covered securities[1]	0.0	0.0	12,394.0	12,763.6
Governments / local authorities	0.0	0.0	15,015.0	12,639.7
Banks / financial institutions (unsecured)	0.0	0.0	140.0	495.0
ABS / MBS[2]	0.0	0.0	10,063.6	10,012.2
Repos	0.0	0.0	815.3	1,701.8
Corporate lending	2,412.0	1,896.3	2,462.0	1,896.3
Structured finance	2,372.4	1,233.2	2,372.4	1,233.2
Intercompany (ING)	148.8	234.4	2,905.1	1,643.6
Total	4,933.2	3,363.9	109,490.9	101,778.5

(1) Covered securities include covered bonds such as Pfandbriefe, cédulas, etc., as well as securities covered by government guarantees.
(2) ABS / MBS also include intra-Group securitizations in the amount of EUR 8.6 billion.

Regional breakdown 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 area[1]

	12/31/2012 € m	12/31/2012 Percent	12/31/2011 € m	12/31/2011 Percent
Germany	82,779.1	75.6	75,254.1	73.9
EMU	21,075.3	19.3	21,092.9	20.7
Other EU	2,459.0	2.2	2,410.7	2.4
Non-EU	3,177.5	2.9	3,020.8	3.0
Total	109,490.9	100.0	101,778.5	100.0

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

At 75.6 percent, the major portion of the loan portfolio can be attributed to exposures in the German domestic market (previous year: 73.9 percent). An additional 19.3 percent of the overall loan portfolio was attributable to loans and advances to borrowers within the Economic and Monetary Union of the European Union (EMU) as of the end of 2012 (previous year: 20.7 percent). As in the previous year, loans and advances to borrowers in the Netherlands make up the largest share of this loan portfolio at 11.4 percent (previous year: 10.1 percent). Exposures to the European periphery countries made up 1.0 percent of the loan portfolio as of December 31, 2012 (previous year: 4.2 percent). The exposure to Spain was reduced from EUR 3.4 billion to below EUR 0.7 billion in the course of 2012. All of it was attributable to securitizations at the end of the year. The exposure to Italy was almost completely eliminated. It fell from EUR 0.5 billion to a residual amount of EUR 18 million. Ireland was the only country where the total exposure increased year-on-year to EUR 300 million (previous year: EUR 36 million). This increase is due to a single commitment of the Commercial Banking segment, which is fully secured by a guarantee issued by the Group parent domiciled in the USA. The total exposure to the remaining periphery countries, Greece and Portugal, was reduced further compared with the previous year and now stands at around EUR 61 million or 0.1 percent of the loan portfolio (previous year: EUR 326 million or 0.3 percent).

Developments in the countries impacted by the debt crisis are very closely monitored and 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.

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 plotted on a uniform master scale, which assigns a risk class or a certain probability of default to each ratings result. The risk classes of 1 through 22 are based on the classification by the rating agency Standard & Poor's, whereby exposures of risk classes 1 through 7 are regarded as low-risk exposures. The risk classes of 8 through 13 are categorized as medium 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 approach across all business segments.

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

	Mortgage loans		Other retail loans		Total	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	€ m	€ m	€ m	€ m	€ m	€ m
Low risk	11,442.5	13,850.0	426.1	349.4	11,868.6	14,199.4
Medium risk	46,268.6	40,632.5	2,786.8	2,496.0	49,055.4	43,128.5
High risk	998.5	860.4	388.8	242.4	1,387.3	1,102.8
Total	58,709.6	55,342.9	3,601.7	3,087.8	62,311.3	58,430.7

(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[1, 2]

	Uncovered securities		Covered securities		ABS / MBS	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	€ m	€ m	€ m	€ m	€ m	€ m
Low risk	14,594.4	11,919.6	10,722.0	10,364.6	9,974.4	9,972.8
Medium risk	165.0	448.9	1,503.0	2,399.0	89.2	39.4
High risk	0.5	0.0	169.0	0.0	0.0	0.0
Total	14,759.9	12,368.5	12,394.0	12,763.6	10,063.6	10,012.2

	Repos / lending		Short-term lending to municipalities		Total	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	€ m	€ m	€ m	€ m	€ m	€ m
Low risk	524.3	1,707.8	3,201.4	1,334.4	39,016.5	35,299.2
Medium risk	291.0	655.0	0.0	0.0	2,048.2	3,542.3
High risk	0.0	0.0	0.0	0.0	169.5	0.0
Total	815.3	2,362.8	3,201.4	1,334.4	41,234.2	38,841.5

(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 guarantees.

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

	Corporate Lending		Structured Finance		Total	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	€ m	€ m	€ m	€ m	€ m	€ m
Low risk	882.3	390.6	30.0	0.6	912.3	391.2
Medium risk	1,573.9	1,643.3	2,115.5	1,213.1	3,689.4	2,856.4
High risk	90.5	91.6	210.6	11.9	301.1	103.5
Total	2,546.7	2,125.5	2,356.1	1,225.6	4,902.8	3,351.1

(1) Rating distribution based on internal credit risk classification in terms of the default probability without taking into account any collateral.
(2) Presentation based on nominal values, including contingent liabilities entered into in the Commercial Banking segment.
(3) Corporate lending also includes loans and advances to companies of the ING Group.

Collateralization of the loan portfolio

The tables below provide an overview of the collateral accepted in the retail and commercial banking business for the reporting dates for fiscal years 2012 and 2011. The collateral is divided into three categories for presentation purposes. In addition to real estate pledged as collateral, guarantees, including export credit insurance (e.g., Hermes coverage) are reported. The "Other" category includes all types of collateral that cannot be allocated to either of the other categories.

The institutional business comprises primarily asset classes with product-inherent collateral, such as covered bonds or RMBS. Interest rate swaps, repo transactions and reverse repo transactions are collateralized by up to 99.3 percent.

Collateralization in fiscal year 2012

	12/31/2012 Business volume € m	12/31/2012 Real estate [1] € m	12/31/2012 Guarantees [2] € m	12/31/2012 Other € m	12/31/2012 Total [3] € m
Mortgage loans	59,567.8	88,946.8	0.0	0.0	88,946.8
of which not impaired	58,981.8	88,365.0	0.0	0.0	88,365.0
of which impaired	586.0	581.8	0.0	0.0	581.8
Other retail business	3,755.7	0.0	0.0	0.0	0.0
Commercial Banking	4,933.2	938.2	1,526.5	284.0	2,748.7
of which not impaired	4,902.8	938.2	1,508.0	279.2	2,725.4
of which impaired	30.4	0.0	18.5	5.0	23.5
Total	68,256.7	89,885.0	1,526.5	284.0	91,695.5

Collateralization in fiscal year 2011

	12/31/2011 Business volume € m	12/31/2011 Real estate [1] € m	12/31/2011 Guarantees [2] € m	12/31/2011 Other € m	12/31/2011 Total [3] € m
Mortgage loans	56,169.7	87,214.9	0.0	0.0	87,214.9
of which not impaired	55,601.0	87,053.2	0.0	0.0	87,053.2
of which impaired	568.7	455.3	0.0	0.0	455.3
Other retail business	3,223.4	0.0	0.0	0.0	0.0
Commercial Banking	3,363.9	0.0	1,138.6	458.8	1,597.4
of which not impaired	3,351.1	0.0	1,131.5	458.8	1,590.3
of which impaired	12.8	0.0	7.1	0.0	7.1
Total	62,757.0	87,214.9	1,138.6	458.8	88,812.3

(1) An annual test is performed to establish whether the collateral needs to be remeasured. Loans up to EUR 1.5 million are covered by the regulatory market fluctuation concept. Loans in excess of EUR 1.5 million are tested individually once a year.
(2) Incl. intercompany guarantee of EUR 193 million (previous year: EUR 72 million).
(3) Total of collateral provided. Since some loans may be overcollateralized, the list should not be used for net analysis.

Securitization

With its ABS/MBS portfolio for the Retail Banking core business, the Bank holds comparable assets from other markets in order to further diversify the investment portfolio (credit substitution business). As of December 31, 2012, the ABS/MBS portfolio accounted for 9.2 percent (previous year: 10.2 percent) of the total loan portfolio and 24.4 percent (previous year: 25.8 percent) of the institutional loan portfolio. The very conservative approach that continues to be pursued in this segment is reflected in the large share of AAA/AA-rated investments of around 89.9 percent (previous year: 96.9 percent). Overall, investments in RMBS have by far the highest share (around 95.6 percent). In addition, the Bank holds a small volume of partially government-guaranteed positions in ABS consumer loans (excluding 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, as in the previous year.

The volume of the securitization portfolio and the risk profile were virtually unchanged in 2012 compared with fiscal year 2011. Intra-Group investments were up slightly year-on-year, increasing by EUR 0.6 billion to EUR 8.6 billion.

Securitization portfolio broken down by rating

	ABS		MBS		Total	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	€ m	€ m	€ m	€ m	€ m	€ m
Low risk	437.9	552.1	9,536.5	9,420.7	9,974.4	9,972.8
Medium risk	0.0	0.0	89.2	39.4	89.2	39.4
High risk	0.0	0.0	0.0	0.0	0.0	0.0
Total	437.9	552.1	9,625.7	9,460.1	10,063.6	10,012.2

	ABS		MBS		Total	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
	Percent	Percent	Percent	Percent	Percent	Percent
Low risk	4.3	5.5	94.8	94.1	99.1	99.6
Medium risk	0.0	0.0	0.9	0.4	0.9	0.4
High risk	0.0	0.0	0.0	0.0	0.0	0.0
Total	4.3	5.5	95.7	94.5	100.0	100.0

Securitization portfolio by country

The geographical focus of the securitization portfolio is on European issues which amounted to approximately 95.0 percent as of December 31, 2012 (previous year: 94.2 percent). Due to intra-Group investments, the Netherlands account for the most significant share of 85.6 percent (previous year: 80.2 percent).

The proportion of ABS / MBS investments in periphery countries was again actively reduced in the course of the year.

	ABS		MBS		Total	
	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m
Germany	0.0	0.0	0.0	0.0	0.0	0.0
EMU	2.6	92.6	9,361.4	9,114.2	9,364.0	9,206.8
Other EU	3.4	4.2	195.9	217.9	199.3	222.1
Non-EU	431.9	455.3	68.4	128.0	500.3	583.3
Total	437.9	552.1	9,625.7	9,460.1	10,063.6	10,012.2

	ABS		MBS		Total	
	12/31/2012 Percent	12/31/2011 Percent	12/31/2012 Percent	12/31/2011 Percent	12/31/2012 Percent	12/31/2011 Percent
Germany	0.0	0.0	0.0	0.0	0.0	0.0
EMU	0.6	16.8	97.3	96.3	93.0	92.0
Other EU	0.8	0.8	2.0	2.3	2.0	2.2
Non-EU	98.6	82.4	0.7	1.4	5.0	5.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

In 2008, the Bank issued an RMBS securitization for which it also acted as investor. Accordingly, the transaction is not included in the securitization portfolio. It related to the 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 by the Bank in full. This transaction was intentionally executed in this form 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 tables below show the credit quality of the outstanding loans and advances as of the indicated reporting date at their nominal values, including contingent liabilities entered into in the Commercial Banking segment.

Credit quality of outstanding loans[1,2]

	Mortgage loans		Other retail loans		Total retail portfolio	
	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m
Neither delinquent nor impaired	58,709.6	55,342.9	3,601.7	3,087.8	62,311.3	58,430.7
Delinquent but not impaired (1 – 89 days)	272.2	258.1	31.3	22.1	303.5	280.2
Impaired	586.0	568.7	122.7	113.5	708.7	682.2
Total	59,567.8	56,169.7	3,755.7	3,223.4	63,323.5	59,393.1

	Institutional portfolio		Commercial Banking		Total	
	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m
Neither delinquent nor impaired	41,234.2	38,841.5	4,902.8	3,351.1	108,448.3	100,623.3
Delinquent but not impaired (1 – 89 days)	0.0	0.0	0.0	0.0	303.5	280.2
Impaired	0.0	180.0	30.4	12.8	739.1	875.0
Total	41,234.2	39,021.5	4,933.2	3,363.9	109,490.9	101,778.5

(1) The impaired exposures shown are presented at nominal values.
(2) The volume of impaired loans and advances reported for Commercial Banking includes exposures of EUR 8.9 million for which no specific impairment allowances have been recognized, because they are sufficiently secured by internal guarantees.

The Bank has recognized portfolio-based impairment allowances for all loans and advances that are neither delinquent nor impaired or that are delinquent but not impaired.

Impairment allowances were recognized in the amount of EUR 266.6 million as of December 31, 2012 (previous year: EUR 274.7 million) for mortgage loans presented as impaired in the amount of EUR 586.0 million (previous year: EUR 568.7 million). The loan loss provision for the remaining retail loans classified as impaired of EUR 122.7 million (previous year: EUR 113.5 million) amounts to EUR 97.6 million as of December 31, 2012 (previous year: EUR 90.3 million).

The commercial banking loan portfolio includes loans and advances and contingent liabilities in an amount of EUR 4.9 billion (previous year: EUR 3.4 billion) that were neither delinquent nor impaired at the end of 2012.

The impaired exposures in the commercial banking loan portfolio totaling EUR 30.4 million are partially collateralized loans and advances; ING-DiBa has recognized specific impairment allowances of EUR 5.7 million for the unsecured portion as of the reporting date. Provisions were recognized for risks arising from contingent liabilities.

The current institutional loan portfolio comprises EUR 41.2 billion as of December 31, 2012 (previous year: EUR 38.8 billion). As in the previous year, there were no delinquent loans in the institutional lending business at the end of 2012. There was no need to make write-downs for impairment in fiscal year 2012.

Aging analysis (less than 90 days delinquent, but not impaired): outstanding loans and advances[1]

	Mortgage loans		Other retail loans		Total	
	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m	12/31/2012 € m	12/31/2011 € m
Delinquent 1 – 29 days	12.5	21.6	5.5	4.8	18.0	26.4
Delinquent 30 – 59 days	200.3	186.3	20.9	14.3	221.2	200.6
Delinquent 60 – 89 days	59.4	50.2	4.9	3.0	64.3	53.2
Total	272.2	258.1	31.3	22.1	303.5	280.2

(1) There are no loans and advances in commercial banking and in the institutional business that are less than 90 days delinquent but not impaired.

The ratio of delinquent loans and advances to the total retail portfolio (0.5 percent) is 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 full Management Board.

Development of the risk provision under IFRS

	12/31/2012 € m	12/31/2011 € m
Opening balance	− 493	− 473
Merger / changes in the Group structure	0	− 21
Utilization of existing allowances	73	82
Additions to / reversals of risk provision	− 85	− 80
Other changes	0	− 1
Closing balance	− 505	− 493

As in previous years, the largest amount of risk provisions occurred in mortgage lending. In 2012, 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 quarterly reports to ING within the framework of the Non-Financial Risk Dashboard (NFRD). In this function, the Risk Management department works closely with the respective 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 as defined in section 25c of the German Banking Act (Kreditwesengesetz, "KWG").

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 Concept and the Bank's continued existence is ensured.

Operational risk management and risk control

Management of the operational risks is based on the Basel II qualitative requirements, compliance with legal or regulatory provisions and the regulations 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. Customized individual contractual arrangements are reviewed by the Legal department.

Business continuity plan

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 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 continued applicability.

Risk management at the portfolio level

The Bank manages operational risk at the portfolio level by setting limits under the Risk-Bearing Capacity Concept. 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 AMA model was thoroughly revised in 2012. The previous external loss data collection will be 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 also 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 will be replaced by the inclusion of internally collected data. The design of the new model was completed in fiscal year 2012. The implementation and first-time application of the new model is planned for 2013.

Additional disclosures under IFRS 7

Maximum default risk for each class of financial instrument

	12/31/2012 € m	12/31/2011 € m
Assets from statement of financial position		
Cash reserve	683	2,783
Loans and advances to banks		
Payable on demand	4,122	3,260
Other loans and advances	3,215	2,531
Loans and advances to customers		
Mortgage loans	59,986	56,586
Consumer loans	3,895	3,320
Public sector loans and other loans and advances	5,609	3,945
Corporate loans	3,239	1,598
Asset-backed securities / mortgage-backed securities	9,858	9,776
Risk provision	– 505	– 493
Adjustment to portfolio fair value hedges	2,904	2,366
Derivatives with positive fair value		
Hedging derivatives	134	233
Other derivatives	213	84
Financial investments		
Held-to-maturity	0	5,643
Available-for-sale	25,630	16,559
Other assets		
Accrued interest on loans and advances to banks	59	28
Accrued interest on AfS financial investments	422	301
Accrued interest on HtM financial investments	0	168
Accrued interest on receivables (ABS / MBS)	77	86
Accrued interest on hedging derivatives	54	105
Accrued interest on other derivatives	95	57
Other	65	41
Maximum default risk for assets in statement of financial position	119,755	108,977
Financial guarantees	353	623
Irrevocable loan commitments	7,340	7,245
Maximum default risk	127,448	116,845

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

Reconciliation of IFRS carrying amounts to risk report

	Descriptions from risk report	12/31/2012 IFRS carrying amount € m	12/31/2012 Risk report nominal € m
Assets from statement of financial position			
Cash reserve		683	
Payable on demand		4,122	
	Corporate lending		37
Other loans and advances		3,215	
	Reverse repo		815
	Uncovered securities [1]		726
	Covered securities [1]		555
	Corporate lending		2
	Structured finance		138
Loans and advances to customers		7,337	2,273
Mortgage loans	Mortgage loans	59,986	59,568
Consumer loans	Other retail loans	3,895	3,756
Public sector loans, other loans and advances		5,609	
	Short-term lending to municipalities		3,201
	Uncovered securities		2,366
	Corporate lending		0
	Structured finance		49
Corporate loans		3,239	
	Corporate lending		1,359
	Structured finance		2,075
Asset-backed securities (ABS) / mortgage-backed securities (MBS)	ABS / MBS	9,858	9,976
Risk provision		– 505	
Loans and advances to customers		82,082	82,350
Adjustment to portfolio fair value hedges		2,904	
Hedging derivatives		134	
Other derivatives		213	
	Uncovered securities		1
Derivatives with positive fair value		347	1

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Continued	Descriptions from risk report	12/31/2012 IFRS carrying amount € m	12/31/2012 Risk report nominal € m
Assets from statement of financial position			
Held-to-maturity		0	
	Uncovered securities		0
	Covered securities		0
	ABS / MBS		0
Available-for-sale		25,630	
	Uncovered securities		11,668
	Covered securities		11,839
	ABS / MBS		88
Financial investments		25,630	23,595
Accrued interest on loans and advances to banks		59	
Accrued interest on AfS financial investments		422	
Accrued interest on HtM financial investments		0	
Accrued interest on receivables from customers (ABS / MBS)		77	
Accrued interest on hedging derivatives		54	
Accrued interest on other derivatives		95	
Other		65	
Other assets		772	
Maximum default risk for assets in statement of financial position		119,755	108,219
Guarantees and letters of credit		0	
	Corporate Lending		948
	Structured Finance		80
Financial guarantees		353	
	Corporate Lending		214
	Structured Finance		30
Total assets		120,108	109,491

(1) This item includes collateralized and uncollateralized loans against borrower's notes.

	Descriptions from risk report	12/31/2011 IFRS carrying amount € m	12/31/2011 Risk report nominal € m
Assets from statement of financial position			
Cash reserve		2,783	
Payable on demand		3,260	
	Corporate lending		18
Other loans and advances		2,531	
	Reverse repo		2,363
	Uncovered securities [1]		724
	Covered securities [1]		655
	Corporate lending		21
	Structured finance		91
Loans and advances to banks		5,791	3,872
Mortgage loans	Mortgage loans	56,586	56,170
Consumer loans	Other retail loans	3,320	3,223
Public sector loans, other loans and advances		3,945	
	Short-term lending to municipalities		1,334
	Uncovered securities		2,582
	Corporate lending		0
	Structured finance		27
Corporate loans		1,598	
	Corporate lending		937
	Structured finance		895
Asset-backed securities (ABS) / mortgage-backed securities (MBS)	ABS / MBS	9,776	9,924
Risk provision		– 493	
Loans and advances to customers		74,732	75,092
Adjustment to portfolio fair value hedges		2,366	
Hedging derivatives		233	
Other derivatives		84	
	Uncovered securities		0
Derivatives with positive fair value		317	0

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Continued	Descriptions from risk report	12/31/2011 IFRS carrying amount € m	12/31/2011 Risk report nominal € m
Assets from statement of financial position			
Held-to-maturity		5,643	
	Uncovered securities		1,090
	Covered securities		4,646
	ABS/MBS		88
Available-for-sale		16,559	
	Uncovered securities		8,152
	Covered securities		7,463
	ABS/MBS		0
Other assets		22,202	21,439
Accrued interest on loans and advances to banks		28	
Accrued interest on AfS financial investments		301	
Accrued interest on HtM financial investments		168	
Accrued interest on receivables from customers (ABS/MBS)		86	
Accrued interest on hedging derivatives		105	
Accrued interest on other derivatives		57	
Other		41	
Other assets		786	
Maximum default risk for assets in statement of financial position		108,977	100,403
Guarantees and letters of credit		0	
	Corporate lending		748
	Structured finance		54
Financial guarantees		623	
	Corporate lending		407
	Structured finance		165
Total assets		109,600	101,777

(1) This item includes collateralized and uncollateralized loans against borrower's notes.

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

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 given to 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 to avoid 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

For its ICS Ac, the Bank follows the guidance of the Minimum Requirements for Risk Management (MaRisk). 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.

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, 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 full 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's 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 default risk for the risk report. Operational Risk Management assesses operational risk under 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 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 to ensure they are accurate and up to date. 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 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 on a decentralized basis 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, 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.

The Corporate Audit Services department supports the Management Board by assessing the ICS Ac and providing recommendations. In this way, it contributes to ensuring the compliance of accounting.

Branches

Austrian branch

General economic conditions in Austria

ING-DiBa has a branch in Vienna, ING-DiBa Direktbank Austria, which serves the entire Austrian market.

The local economy has successfully held its position in the European environment. In 2012, real gross domestic product (GDP) grew by 0.4 percent. For 2013, growth is expected at 0.5 percent. According to forecasts by the Österreichische Nationalbank, growth is only anticipated to accelerate in 2014.

The budget deficit was 3.0 percent in 2012. The consolidation measures implemented by the government and comparatively lower transfers to nationalized and partially nationalized banks are expected to lead to a significant improvement to 2.1 percent of GDP in 2013 and 1.8 percent in 2014.

Austria's unemployment rate is the lowest in the EU. For full-year 2012, there was another sharp increase in employment of 1.1 percent. However, according to current forecasts, employment will increase more slowly in 2013.

The industry environment in Austria

The euro debt crisis and the weakening economy weighed on the profitability of Austria's banking system, at least in the first half of the year under review. According to information released by the Österreichische Nationalbank, net interest income – an important component of earnings for Austrian credit institutions – declined slightly. The banks' capital situation continued to improve, but was still below the international average in 2012. In addition, commission and trading income was down on the previous year. Although the liquidity situation of the financial institutions improved slightly, their exposures in the Central, Eastern, and Southern European countries and the associated risks remained relatively high.

In March 2012, the Österreichische Nationalbank and the Financial Market Authority (FMA) presented guidelines intended to strengthen the sustainability of the business models of major Austrian banks with international operations. The aim is to increase the capital bases of these bank groups and rebalance the refinancing structure of exposed subsidiaries.

ING-DiBa Direktbank Austria business performance

In contrast to the decreasing deposit figures for the Austrian market as a whole, customer deposits at Direktbank Austria rose. The portfolio volume increased by 7.5 percent from EUR 6.7 billion in 2011 to EUR 7.2 billion in the year under review.

ING-DiBa Direktbank Austria owes this success not least to its strong positioning: It focuses on savings products and continuously wins new customers in the Direkt-Sparen (call deposits) and time deposits (up to 12 months) categories.

To achieve its objectives, the Bank stepped up its activities in the consumer loans business in 2012, generating growth of 17 percent for automobile, homeowners', and installment loans. The area of investment funds was consolidated further and recorded considerable gains, especially among fund savings plans. ING-DiBa Direktbank Austria does not offer mortgage loans or current accounts.

Under the leadership of CEO Roel Huisman and CFO Thomas Geis, the size of the institution's customer base surpassed the 500,000 mark for the first time, rising from 492,000 customers in 2011 to almost 514,000 in the year under review.

This can be considered an indicator that, under the effects of the financial market crisis, customers continued to seek stable investment opportunities in 2012 and placed their trust in ING-DiBa Direktbank Austria as Austria's leading direct bank.

In 2012, the institution dedicated considerable resources to furthering development in customer support and to advancing technology. For example, the mobile banking app was certified by TÜV.

Another successful activity was marketing: Its advertising concept achieved another increase in the ratings for brand awareness and advertising recall – by an average of 10 percent for the year – mainly due to the successful Niki Lauda campaign, "Because I haven't a cent to waste." Increased social media activities and outdoor promotions gave customers and interested parties the opportunity to get in touch directly with ING-DiBa employees.

ING Bank branch

The business lines of the ING Bank branch mainly include corporate lending, export financing, payment transactions and access to financial markets. Two more products were added in 2012: commercial real estate financing and structured finance. 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 integration of the commercial banking business was undertaken 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 for commercial banks as a result of the consolidation and the challenges of refinancing the central savings banks (Landesbanken).

In the lending business, Commercial Banking has established itself as a strong partner of the German economy. As of December 31, 2012, loans and advances to banks were unchanged from the previous year and amounted to EUR 0.2 billion (previous year: EUR 0.2 billion) and loans and advances to customers were EUR 3.2 billion (previous year: EUR 1.6 billion).

The other business lines (Financial Markets, Transaction Services, International Business Clients, and Payment Transactions) also performed well in 2012 and enjoyed positive growth rates.

Report on Opportunities and Expected Developments

Although the situation on the markets eased somewhat in the second half of the year under review, the European debt crisis continued to be an important topic in 2012. Another item on the agenda was the USA's high budget deficit. In its forecast submitted in November 2012, the EU Commission expects the eurozone's economy to stagnate in 2013. For Germany and Austria, Brussels predicts GDP growth of 0.8 and 0.9 percent respectively, similar to the figures for 2012. Total debt in the eurozone is anticipated to rise further to around 95 percent of GDP, from 92.9 percent in 2012. In spite of all the rescue packages and austerity measures, the EU forecasts that Greece's total debt will increase to more than 188 percent of GDP.

The eurozone's average unemployment rate in 2013 is expected to be around twelve percent, although there will probably be significant differences between the different member states. Brussels predicts any significant economic upturn only for 2014. Germany's and Austria's unemployment rate could by then be the lowest in the entire EU. The EU Commission anticipates a decline in the rate of inflation to 1.6 percent for the eurozone and to 1.8 percent for Germany. This would take it below the 2.0 percent target for price stability set by the ECB.

The uncertain outlook for Germany's important trading partner China makes it hard to make forecasts for the German economy. Diverging signals were received from that country toward the end of the year under review. Chinese banks appear to have restricted lending to companies considerably from the third quarter onward. What is more, China is expected to fall short of its export targets for 2012. On the other hand, there have been increasing signs that China's economy may stabilize again or even accelerate in 2013. In Japan, by contrast, there are concerns that the country may slide into a recession. The future performance in the USA will depend on whether the considerable government debt can be contained without hurting the economy.

Although overall ING-DiBa expects the very challenging economic conditions to persist in 2013, it assumes continued stable growth in the retail business in 2013. The Bank is confident that it will generate another increase in the business volume.

In the Retail Customer Assets segment, the Bank anticipates further growth from an already high base. Demand for stable savings products should remain high, even though ING-DiBa continues to face tough competition in this segment.

Following their generally encouraging performance in the year under review, demand for equities is expected to increase in the year to come. If the increasingly positive general mood in the markets persists, ING-DiBa anticipates steady growth rates in the securities business. The Bank also intends to generate further expansion for the "current account" product.

As far as can be ascertained at present, demand for real estate will continue unabated in 2013. For this reason, ING-DiBa anticipates the performance of the mortgage lending business to be stable. Likewise, the Bank forecasts that demand for consumer loans will remain high. A slight rise in real incomes and stability on the labor markets are expected to ensure that people in Germany and Austria will retain their appetite for consumption. However, it remains to be seen whether rising energy prices and possible increases in taxes and contributions in connection with the euro rescue efforts will have a dampening effect on private demand. On the other hand, the low interest rates will continue to stimulate consumers' willingness to spend.

Business in the Commercial Banking segment will be expanded further. For 2013, the Bank has set itself the target of achieving at least the good level of growth generated in the year under review.

ING-DiBa expects to generate the same profit before tax in 2013 and 2014 as it did in 2012, provided that the general economic conditions do not deteriorate significantly. ING-DiBa believes that it can achieve this consistent profit before tax in spite of persistent pressure on margins, thanks to its stable cost structure.

The development of business volume should continue on a steady growth path in 2013, although expansion will probably be slightly slower than in 2012. The Bank assumes similar growth expectations for 2014.

At this time, we would like to thank our 7,762,813 customers and all employees of our Bank. The results presented in this Annual Report would not have been achieved without their trust and commitment.

Consolidated financial statements

Consolidated statement of financial position

		12/31/2012 € m	12/31/2011 € m
Assets			
Cash reserve	1	683	2,783
Loans and advances to banks	2	7,337	5,791
Loans and advances to customers	3	82,082	74,732
Adjustment to portfolio fair value hedges	4	2,904	2,366
Financial investments	5	25,630	22,202
Derivatives with positive fair value	6	347	317
Investment property	7	12	12
Property and equipment	8	43	51
Intangible assets	9	21	28
Income tax assets	10	5	1
Deferred tax assets	11	440	381
Other assets	12	785	799
Total assets		120,289	109,463
Equity and liabilities			
Equity			
Subscribed capital		100	100
Reserves		5,965	5,352
Non-controlling interests		0	0
Equity	13	6,065	5,452
Liabilities			
Securitized liabilities	14	1,195	497
Deposits from banks	15	8,632	7,955
Due to customers	16	98,530	90,860
Derivatives with negative fair value	17	3,926	3,003
Income tax liabilities	18	9	8
Deferred tax liabilities	19	647	400
Non-current provisions	20	128	79
Other liabilities	21	1,157	1,209
Total equity and liabilities		120,289	109,463

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Consolidated income statement

		2012 € m	2011 € m
Interest income		2,976	2,979
Interest expense		− 1,794	− 1,676
Net interest income	31	1,182	1,303
Commission income		150	146
Commission expense		− 105	− 105
Net commission income	32	45	41
Net gains / losses on measurement of derivatives and hedged items	33	22	− 6
Other net gains / losses on financial investments and investment property	34	− 42	− 157
Other income and expenses	35	− 15	137
Total income		1,192	1,318
Risk provision	36	− 83	− 77
Personnel expenses	37	− 230	− 203
Other administrative expenses	38	− 393	− 378
Total expenses		− 706	− 658
Profit before tax		486	660
Income tax	39	− 161	− 211
Profit after tax		325	449
attributable to non-controlling interests		0	0
attributable to owners of the parent		325	449

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

Consolidated statement of comprehensive income

		2012 Amount before tax € m	2012 Income tax € m	2012 Amount after tax € m
Profit after tax (carried forward)		486	161	325
Other comprehensive income				
Items that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss				
Remeasurement gains / losses related to defined benefit plans	13, 20	– 44	– 14	– 30
Other comprehensive income from items that, in accordance with other IFRSs, will not to be reclassified subsequently to profit or loss		– 44	– 14	– 30
Items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss				
Impairment losses	5, 13	0	0	0
Realized gains / losses transferred to profit or loss	5, 13	9	3	6
Remeasurements of available-for-sale financial investments	5, 13	681	218	463
Changes in cash flow hedge reserve	13, 23	– 11	– 4	– 7
Other comprehensive income from items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss		679	217	462
Consolidated other comprehensive income		635	203	432
Total comprehensive income		1,121	364	757
attributable to non-controlling interests				0
attributable to owners of the parent				757

		2011 Amount before tax € m	2011 Income tax € m	2011 Amount after tax € m
Profit after tax (carried forward)		660	211	449
Other comprehensive income				
Items that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss				
Remeasurement gains / losses related to defined benefit plans	13, 20	−2	−1	−1
Other comprehensive income from items that, in accordance with other IFRSs, will not to be reclassified subsequently to profit or loss		−2	−1	−1
Items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss				
Impairment losses	5, 13	136	44	92
Realized gains / losses transferred to profit or loss	5, 13	20	6	14
Remeasurements of available-for-sale financial investments	5, 13	18	6	12
Changes in cash flow hedge reserve	13, 23	−14	−5	−9
Other comprehensive income from items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss		160	51	109
Consolidated other comprehensive income		158	50	108
Total comprehensive income		818	261	557
attributable to non-controlling interests				0
attributable to owners of the parent				557

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Consolidated statement of changes in equity

	2012 Subscribed capital € m	2012 Other reserves € m	2012 Total € m
Consolidated equity as of Jan. 1	100	5,352	5,452
Remeasurement of available-for-sale financial investments after tax	0	463	463
Realized gains / losses transferred to profit or loss	0	6	6
Changes in the cash flow hedge reserve after tax	0	– 7	– 7
Impairment losses	0	0	0
Remeasurement gains / losses related to defined benefit plans	0	– 30	– 30
Other remeasurements	0	0	0
Consolidated other comprehensive income	0	432	432
Subtotal	100	5,784	5,884
Other changes	0	2	2
Merger / changes in the Group structure	0	0	0
Profit transfer	0	– 311	– 311
Contribution from tax group (push-down method)	0	165	165
Profit after tax	0	325	325
Consolidated equity as of Dec. 31	100	5,965	6,065

	2011 Subscribed capital € m	2011 Other reserves € m	2011 Total € m
Consolidated equity as of Jan. 1	100	4,732	4,832
Remeasurement of available-for-sale financial investments after tax	0	12	12
Realized gains / losses transferred to profit or loss	0	14	14
Changes in the cash flow hedge reserve after tax	0	– 9	– 9
Impairment losses	0	92	92
Remeasurement gains / losses related to defined benefit plans	0	– 1	– 1
Other remeasurements	0	0	0
Consolidated other comprehensive income	0	108	108
Subtotal	100	4,840	4,940
Other changes	0	2	2
Merger / changes the Group structure	0	219	219
Profit transfer	0	– 394	– 394
Contribution from tax group (push-down method)	0	236	236
Profit after tax	0	449	449
Consolidated equity as of Dec. 31	100	5,352	5,452

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

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.

Consolidated statement of cash flows

	2012 € m	2011 € m
Profit before tax	486	660
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, financial investments and intangible assets, and reversals of impairment losses on these items	113	238
Increase / decrease in provisions	10	6
Gains / losses on disposal of financial investments and property and equipment	42	21
Other non-cash expenses and income	– 20	242
Subtotal	631	1,167
Cash changes in operating assets and liabilities		
Loans and advances to banks	– 684	3,201
Loans and advances to customers	– 7,406	– 11,008
Other operating assets	39	– 22
Deposits from banks	538	638
Due to customers	7,670	8,096
Other operating liabilities	39	– 31
Net cash flows from operating activities	827	2,041
Investing activities		
Proceeds from		
Disposal of financial investments	2,731	865
Maturity of financial investments	1,518	3,047
Additions to cash resulting from the merger	0	357
Payments for investments in		
Financial investments	– 6,742	– 5,609
Property and equipment	– 8	– 20
Intangible assets	– 8	– 11
Net cash flows from investing activities	– 2,509	– 1,371

continued on next page

Continued	2012 € m	2011 € m
Financing activities		
Issuance of securitized liabilities	697	497
Profit transfer	−394	−290
Net cash flows from financing activities	303	207
Net cash flow	−1,379	877
Effects of exchange rate changes	1	0
Cash and cash equivalents at start of period	5,876	4,999
Cash and cash equivalents at end of period	4,498	5,876
The cash flows from operating activities include		
Interest received	4,207	4,022
Interest paid	−2,735	−2,458
Cash and cash equivalents include		
Cash reserve	683	2,783
Loans and advances to banks, payable on demand	4,122	3,260
Deposits from banks, payable on demand	−307	−167
Cash and cash equivalents at end of period	4,498	5,876

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

The statement of cash flows is explained in note 41.

Notes to the IFRS consolidated financial statements

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) and on financing business customers.

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-DiBa Direktbank Austria. An additional branch, established in fiscal year 2011 and domiciled in Frankfurt am Main, is responsible for continuing the business activities of the former German branch of ING Bank N.V. 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).

ING-DiBa AG's share capital was completely 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 of ING-DiBa on April 18, 2013 and sent them to the Supervisory Board.

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 "Group management report".

In fiscal year 2011, ING-DiBa issued its first mortgage bond on the market (mortgage Pfandbrief; ISIN DE 00A1KRJA0; see note 14) and thus acquired the status of a capital-market-oriented company under German commercial law. The Pfandbrief program was continued in 2012.

These consolidated financial statements for the fiscal year ended December 31, 2012 were prepared on the basis of article 4 of Regulation (EC) No.1606/2002 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 315a (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 (€ m).

Where information is presented in tabular format, negative signs are only used if the caption name does not clearly indicate an amount to be deducted.

The comparative period is the 2011 fiscal year and the comparative reporting date is December 31, 2011. If retrospective adjustments have to be made in accordance with IAS 8, the opening date of the comparative year is January 1, 2011.

Significant accounting policies

a) Group structure

The Group structure did not change compared with the previous year.

b) Consolidation

Basis of consolidation

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

	12/31/2012 Equity interest held directly Percent	12/31/2012 Equity interest held indirectly Percent	12/31/2011 Equity interest held directly Percent	12/31/2011 Equity interest held indirectly Percent
GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH, Frankfurt am Main	100	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	100	0

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

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 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.

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, 2012 is the reporting date for the financial statements of all entities included in consolidation.

c) 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 judgments 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.

d) Financial instruments

Financial assets and financial liabilities

A financial instrument is any 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
- 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 is only 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 if the entity has the intention to settle on a net basis or to simultaneously liquidate the relevant asset against the associated liability.

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.

Classification 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 “net gains/losses on measurement of derivatives and hedged items” caption (note 33), as is the associated interest income and expense.

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

Held-to-maturity (HtM) investments

In June 2012, all securities in the "held-to-maturity" category in accordance with IAS 39.9 were reclassified to the "available-for-sale" category. There will be no new classifications to the HtM category up to and including December 31, 2014. Details are described in the subsection entitled "Reclassifications" in this chapter and in note 5.

Until then, non-derivative financial assets with a fixed maturity that resulted in fixed or determinable payments had been invariably assigned to the "held-to-maturity" category, if there was a positive intention and ability 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 in come (note 31). HtM securities were 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 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 as well as financial instruments reclassified from the "held-to-maturity" category. HtM securities are presented 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 assigned 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/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.

In fiscal year 2012, Spanish government bonds were sold, which had been allocated to the "held-to-maturity" measurement category in accordance with the initial positive intention to hold them to maturity. As a result, the entire HtM portfolio was cleared in June 2012. The financial instruments concerned were transferred to the "available-for-sale" category at their fair values on the date of reclassification.

Differences between carrying amount prior to reclassification and fair value on the date of reclassification (new carrying amount) were recognized in the revaluation reserve (note 13).

The disposal, which had been made because of the credit risks induced by the general economic conditions, led not only to the entire portfolio being reclassified, but also a penalty under IAS 39.9. As a result, the Bank will not allocate any instruments to the held-to-maturity category up to and including December 31, 2014.

No reclassifications were made in fiscal year 2011.

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).

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 middle 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 and expenses" (note 35).

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, implying that 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 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 with 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 financial investments which were classified as "held-to-maturity" prior to reclassification, 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 default 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.

The allowances for losses on loans and advances to customers are disclosed in notes 3 and 36. No material 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 2011 and 2012.

The two-level impairment process (test for indications of impairment and calculation of required impairment) is also applied to foreign currency assets. The required impairment is calculated as follows: First the asset is measured in the 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.

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.

All derivative financial instruments are carried at their fair values and reported as derivatives with positive or negative fair values. Changes in fair value, with the exception of those in relation to the effective portion of cash flow hedges, are immediately recognized in profit or loss.

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

These financial instruments are reported at their clean price (i.e., excluding accrued interest) under derivatives with positive or negative fair value, as appropriate (notes 6 and 17).

The interest income and expense relating to other derivatives is reported under net gains/losses on measurement of derivatives and hedged items.

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 variability 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. 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 (note 31) to the extent the hedge meets the requirements for effectiveness. In the event the hedge is ineffective, the fair value change in the derivatives and the related interest are reported in net gains/losses on measurement of derivatives and hedged items (note 33).

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% 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.

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 items which are attributable to the hedged 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 immediately 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 transaction 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.

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. The cash reserve, financial guarantees, irrevocable loan commitments and derivatives used as hedges are presented as classes of their own.

e) 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 and buildings are 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 entity 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 38).

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 entity 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;
- 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 entity 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 39) 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 in fiscal year 2011, 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 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.

Provisions

Pension provisions (note 20) are recognized according to the projected unit credit method for defined benefit pension plans.

Some of the pension plans are backed by plan assets.

ING-DiBa has adopted IAS 19 (rev. 2011) early and retrospectively (for more details, see the section on “Changes in reporting standards”). Fair value changes resulting from actuarial gains or losses and from differences between the actual return on plan assets and the previously expected return on plan assets are recognized immediately in other comprehensive income.

The imputed interest rate for calculating the pension provisions and the expected return on plan assets 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 (note 20).

The partial retirement commitments are essentially individual arrangements. ING-DiBa accounts for these on a “first in-first out” basis. The aggregate top-up benefits constitute a related benefit component and the provision is reduced as these top-up benefits are paid out. This benefit component is allocated on a straight-line basis to the individual periods of the accrual period. The liability is determined at the end of each reporting period in the accrual period by adding to the provision the top-up benefits which are to be paid out first. Accrued but not yet vested liabilities are deemed to be vested by a certain reporting date for accounting purposes.

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 Group restructuring in fiscal year 2011.

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" (note 21) include primarily accrued interest on deposits from banks, amounts due to customers, derivatives and other financial liabilities, allocated over the relevant periods.

In addition, there is a current provision for onerous contracts in relation to vacancy costs from real estate leasing.

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.

f) 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). They arise on the one hand as possible obligations whose existence has not yet been confirmed, for which the likelihood of realization is estimated to be below 50 percent or for which the amount cannot be estimated with sufficient reliability. The estimated settlement amounts are disclosed in the notes. They normally correspond to the nominal amounts. Contingent liabilities relate primarily to irrevocable loan commitments, guarantees and letters of credit.

g) Items in the consolidated income statement

Net interest income

Interest income and expense (note 31) is recognized in profit or loss for the period on an accrual basis. 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.

Other interest income and expense also includes net interest income from derivatives in effective hedging relationships.

Net interest income also includes amortization of the fair value adjustments related to the hedged risk, which are included in the carrying amount of the hedged items, over the remaining term of the hedged items in fair value hedge relationships. Fair value changes related to pull-to-par effects of hedging derivatives are also reported under net interest income.

Net commission income

Fee and commission income is generally recognized at the time the service is provided.

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

Net commission income is explained in note 32.

Net gains / losses on measurement of derivatives and hedged items

The net 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, to the extent this is not attributable to pull-to-par effects from hedging derivatives. In addition, this item includes interest income and expense related to derivatives not used in hedging relationships.

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

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.

h) 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.

i) 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.

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.

j) Early application of standards, changes in accounting policies, adjustments and comparability

i) Early application of standards

The following standards were applied early as from fiscal year 2012.

Standard/ Interpreta-tion	Version (latest amendment)	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. 2011	Presentation of Financial Statements	Darstellung des Abschlusses	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IAS 1	rev. 2011	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012
IAS 12	rev. 2011	Income Taxes	Ertragsteuern	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IAS 19	rev. 2011	Employee Benefits	Leistungen an Arbeitnehmer	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012
IAS 20	rev. 2011	Accounting for Government Grants and Disclosures of Government Assistance	Bilanzierung und Darstellung von Zuwendun-gen der öffent-lichen Hand	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IAS 21	rev. 2011	The Effects of Changes in Foreign Ex-change Rates	Auswirkungen von Wechsel-kursänderungen	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IAS 24	rev. 2011	Related Party Disclosures	Angaben zu Beziehungen zu nahestehenden Unternehmen und Personen	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012
IAS 32	rev. 2011	Financial Instruments: Disclosures	Finanzinstru-mente: Dar-stellung	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IAS 33	rev. 2011	Earnings per Share	Ergebnis je Aktie	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IAS 34	rev. 2011	Interim Financial Reporting	Zwischenbe-richterstattung	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IFRS 1	rev. 2011	First-time adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012

Standard/ Interpretation	Version (latest amendment)	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IFRS 1	rev. 2011	First-time adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012
IFRS 5	rev. 2011	Non-Current Assets Held for Sale and Discontinued Operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IFRS 7	rev. 2011	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jul. 1, 2012	Jul. 1, 2012	Jun. 6, 2012
IFRS 8	rev. 2011	Operating Segments	Geschäftssegmente	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012
IFRS 13	issued 2011	Fair Value Measurement	Bemessung des beizulegenden Zeitwerts	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012
IFRIC 14	rev. 2011	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IAS 19 – Die Begrenzung eines leistungsorientierten Vermögenswertes, Mindestdotierungsverpflichtungen und ihre Wechselwirkung	Jan. 1, 2013	Jan. 1, 2013	Jun. 6, 2012

Effects from early application of IAS 1

In June 2011, the IASB published amendments to IAS 1 "Presentation of Financial Statements" (rev. 2011). The amendments addressed the rules for grouping items of other comprehensive income. A requirement has been created to disclose reclassifiable components of the revaluation reserves. This requirement has been implemented in the current financial statements.

The amendments to IAS 1 (rev. 2011) led to amendments to IAS 12, IAS 20, IAS 21, IAS 32, IAS 33, IAS 34, IFRS 1, IFRS 5, and IFRS 7.

The application of IAS 1 (rev. 2011) had no material impact on equity or profit or loss for the year; the disclosures were expanded only to an immaterial extent compared with the previous year's financial statements.

Effects from early application of IAS 19

IAS 19 "Employee Benefits" (rev. 2011) replaces the existing recognition options for actuarial gains and losses in relation to defined benefit pension plans with an immediate recognition requirement in other comprehensive income. Actuarial gains and losses will no longer be recognized off the statement of financial position on a pro rata basis, but instead immediately in the statement of financial position, where they are reported in other comprehensive income. IAS 19 (rev. 2011) redefines the composition of pension costs and fair value changes.

In conjunction with the introduction of IAS 19 (rev. 2011), the first in-first out method has been adopted retrospectively to account for partial retirement provisions.

The amendments to IAS 19 (rev. 2011) led to amendments to IAS 1, IAS 24, IFRS 8, IFRS 13, and IFRIC 14.

The application of IAS 19 (rev. 2011) has a material impact on equity and the income statement (see section entitled "Presentation of adjusted figures" below).

IAS 1 (rev. 2011) and IAS 19 (rev. 2011) must in all cases be applied retrospectively in accordance with IAS 8. The special transitional arrangements of IAS 1.139 J-K and IAS 19. 173-174 also apply. In particular, the sensitivity analysis in accordance with IAS 19.145 is exempted from retrospective presentation. IFRS 13 does not have to be applied to the measurement of plan assets if the entity has not yet adopted IFRS 13 as a whole. The transitional arrangements will have no impact in the future.

Retrospective application of IAS 19 (rev. 2011) also resulted in the restatement of the equity impacts of the previous year's intra-Group merger. Accordingly, the increase in reserves relating to the merger and changes in Group structure were adjusted in the consolidated statement of changes in equity for the 2011 comparative period, from EUR 245 million in the published prior-year financial statements to EUR 219 million.

The adjustment amounts in connection with the first in-first out method for partial retirement provisions introduced under IAS 19 (rev. 2011) were immaterial overall.

ii) Disclosures relating to changes in accounting policies

In order to achieve a more objective presentation, the Bank has opted to voluntarily change its presentation of hedge accounting and derivatives.

All changes were made retrospectively, and the prior-year figures have been adjusted accordingly.

Interest income and interest expense from all derivatives which are not part of effective hedging relationships are no longer reported under net interest income, but rather under net gains/losses on measurement of derivatives and hedged items (note 33).

Amortization of the fair value adjustments in relation to the hedged risk, which are included in the carrying amount of the hedged items, over the remaining term of the hedged items in fair value hedge relationships is no longer presented in net gains/losses on measurement of derivatives and hedged items, but instead is now presented under net interest income. In addition, pull-to-par effects of hedging derivatives relating to the measurement of derivatives are now reported under net interest income rather than in net gains/losses on the measurement of derivatives and hedged items.

Within “net gains/losses on measurement of derivatives and hedged items” (note 33), any changes in fair value of derivatives used to hedge changes in interest rates for the ineffective portion of the hedging relationship within the meaning of IAS 39 are now reported as “changes in fair value of other derivatives”. This change has an impact on the derivatives with positive fair value and derivatives with negative fair value as reported in the statement of financial position.

The retrospective adjustments to prior-year figures and the amount of the adjustment for the current reporting period are shown in the section iv) “Comparability” in this chapter. Further information on derivatives and hedge accounting can be taken from notes 4 “adjustment to portfolio fair value hedges”, 6 “derivatives with positive fair value”, 12 “other assets”, 17 “derivatives with negative fair value”, 21 “other liabilities”, 23 “hedge accounting”, 31 “net interest income” and 33 “net gains/losses on measurement of derivatives and hedged items”.

iii) Adjustments in accordance with IAS 8.41 et seq.

Adjustments were made within individual items of the consolidated statement of cash flows in fiscal year 2012. The prior-year figures were adjusted analogously.

The corrections made in the statement of cash flows related in particular to the following items: when adjusting profit before tax for non-cash items, amortization of EUR 60 million will henceforth be presented under "other non-cash expenses and income". The increase and decrease in provisions related solely to non-current provisions, while changes in current liabilities will henceforth no longer be included (EUR -36 million). Going forward, "other non-cash expenses and income" will consist primarily of "net gains/losses on measurement of derivatives and hedged items" (EUR 29 million), all amortization and non-cash changes in prepaid expenses and deferred income (EUR 213 million).

Corresponding to the adjustments to other non-cash expenses and income, the changes in the other operating assets and other operating liabilities items under cash flows from operating activities were also adjusted.

Loans and advances to customers were corrected for non-cash amortization charges. Derivatives which are not designated as hedges were held to maturity in 2011; therefore, there were no cash changes in derivatives with positive fair value and derivatives with negative fair value.

There were shifts between "proceeds from disposal of financial investments" and "maturity of financial investments" (see note 5) under cash flows from investing activities.

There was also a further adjustment made to the presentation of the interest portion of derivatives in effective hedges in the statement of cash flows. Under IAS 7.21, interest paid and interest received must be reported separately.

Further corrections to the presentation of the fair values for the line item "adjustment to portfolio fair value hedges" were necessary. The fair values reported here were already included in the fair value presentation of the item "loans and advances to customers" in previous years, resulting in double reporting.

The adjustments made to the "loans and advances to banks" and "deposits from banks" payable on demand related primarily to the addition of repo and reverse repo transactions payable on demand.

iv) Comparability

Adjusted presentation of prior-year figures in the consolidated statement of cash flows

	2011 Adjusted consolidated statement of cash flows € m	2011 Adjustments € m	2011 Published consolidated statement of cash flows € m
Profit before tax	660	0	660
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, financial investments and intangible assets, and reversals of impairment losses on these items	238	– 60	298
Increase / decrease in provisions	6	– 36	42
Gains / losses on disposal of financial investments and property and equipment	21	0	21
Other non-cash expenses and income	242	213	29
Subtotal	1,167	117	1,050
Cash changes in operating assets and liabilities			
Loans and advances to banks	3,201	0	3,201
Loans and advances to customers	– 11,008	– 10	– 10,998
Other operating assets	– 22	260	– 282
Derivatives with positive and negative fair value	0	– 13	13
Deposits from banks	638	0	638
Due to customers	8,096	0	8,096
Other operating liabilities	– 31	– 353	322
Net cash flows from operating activities	2,041	1	2,040
Investing activities			
Proceeds from			
Disposal of financial investments	865	– 1,603	2,468
Maturity of financial investments	3,047	1,602	1,445
Additions to cash resulting from the merger	357	0	357
Payments to acquire			
Financial investments	– 5,609	0	– 5,609
Property and equipment	– 20	0	– 20
Intangible assets	– 11	0	– 11
Net cash flows used in investing activities	– 1,371	– 1	– 1,370

continued on next page

Continued	2011 Adjusted consolidated statement of cash flows € m	2011 Adjustments € m	2011 Published consolidated statement of cash flows € m
Financing activities			
Issuance of securitized liabilities	497	0	497
Profit transfer	– 290	0	– 290
Net cash flows from financing activities	207	0	207
Net cash flow	877	0	877
Effects of exchange rate changes	0	0	0
Cash and cash equivalents at start of period	4,999	0	4,999
Cash and cash equivalents at end of period	5,876	0	5,876
The cash flows from operating activities include			
Interest received	4,022	835	3,187
Interest paid	– 2,458	– 643	– 1,815
Cash and cash equivalents include			
Cash reserve	2,783	0	2,783
Loans and advances to banks, payable on demand	3,260	0	3,260
Deposits from banks, payable on demand	– 167	0	– 167
Cash and cash equivalents at end of period	5,876	0	5,876

Adjusted presentation of prior-year disclosures in accordance with IFRS 7.8 and IFRS 7.25

Adjustment of disclosures in accordance with IFRS 7.8 and IFRS 7.25 as of December 31, 2011

	12/31/2011 Adjusted fair values € m	12/31/2011 Adjustment to fair values € m	12/31/2011 Published fair values € m	12/31/2011 Carrying amount € m
Financial assets	114,095	−2,366	116,461	108,938
Adjustment to portfolio fair value hedges	0	−2,366	2,366	2,366

Adjustment of disclosures in accordance with IFRS 7.8 and IFRS 7.25 as of January 1, 2011

	01/01/2011 Adjusted fair values € m	01/01/2011 Adjustment to fair values € m	01/01/2011 Published fair values € m	01/01/2011 Carrying amount € m
Financial assets	96,757	−1,665	98,422	95,869
Adjustment to portfolio fair value hedges	0	−1,665	1,665	1,665

Adjusted presentation of the consolidated statement of financial position (extract), consolidated income statement and the consolidated statement of comprehensive income

The amounts adjusted in accordance with IAS 19 (rev. 2011), the voluntary changes made to reported figures for hedge accounting and derivatives and the other amounts changed and the impacts of those changes on the line items of the consolidated financial statements are as follows:

Adjusted items of consolidated statement of financial position as of December 31, 2011

	12/31/2011 Adjusted consolidated statement of financial position € m	12/31/2011 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) €m	12/31/2011 Adjustments related to classification changes within hedge accounting and derivatives €m	12/31/2011 Adjustments related to other clas-sification changes €m	12/31/2011 Published consolidated statement of financial position €m
Assets					
Loans and advances to banks	**5,791**			**0**	**5,791**
Payable on demand	3,260			199	3,061
Other loans and advances	2,531			– 199	2,730
Derivatives with positive fair value	**317**		**0**		**317**
Derivatives in portfolio fair value hedges	207		– 4		211
Other derivatives	84		4		80
Other assets	**799**	**– 15**	**0**		**814**
Accrued interest on hedging derivatives	105		– 5		110
Accrued interest on other derivatives	57		5		52
Net plan assets related to defined benefit plans	0	– 15			15
Total assets	109,463	– 15	0	0	109,478
Equity and liabilities					
EQUITY					
Subscribed capital	100				100
Reserves	**5,352**	**– 26**			**5,378**
Merger/ changes in the Group structure	219	**– 26**			**245**
Equity	5,452	– 26	0		5,478
LIABILITIES					
Deposits from banks	**7,955**			**0**	**7,955**
Payable on demand	167			71	96
With an agreed maturity or period of notice	7,788			– 71	7,859
Derivatives with negative fair value	**3,003**		**0**		**3,003**
Derivatives in portfolio fair value hedges	2,663		– 16		2,679
Other derivatives	97		16		81
Deferred tax liabilities	**400**	**– 12**			**412**
Non-current provisions	**79**	**23**			**56**
Pension provisions	71	23			48
Other liabilities	**1,209**		**0**		**1,209**
Accrued interest on hedging derivatives	474		– 11		485
Accrued interest on other derivatives	76		11		65
Total equity and liabilities	109,463	– 15	0	0	109,478

Adjusted items of consolidated statement of financial position as of January 1, 2011

	01/01/2011 Adjusted consolidated statement of financial position € m	01/01/2011 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	01/01/2011 Adjustments related to classification changes within hedge accounting and derivatives € m	01/01/2011 Adjustments related to other classification changes € m	01/01/2011 Published consolidated statement of financial position € m
Assets					
Loans and advances to banks	**8,709**			**0**	**8,709**
Payable on demand	3,679			1,482	2,197
Other loans and advances	5,030			–1,482	6,512
Derivatives with positive fair value	**411**		**0**		**411**
Derivatives in portfolio fair value hedges	141		–8		149
Other derivatives	169		8		161
Other assets	**744**		**0**		**744**
Accrued interest on hedging derivatives	131		–6		137
Accrued interest on other derivatives	114		6		108
Total assets	96,333	0	0	0	96,333
Equity and liabilities					
EQUITY					
Subscribed capital	100				100
Reserves	**4,732**	**1**			**4,731**
Equity	4,832	1	0		4,831
LIABILITIES					
Deposits from banks	**5,670**			**0**	**5,670**
Payable on demand	97			16	81
With an agreed maturity or period of notice	5,573			– 16	5,589
Derivatives with negative fair value	**2,092**		**0**		**2,092**
Derivatives in portfolio fair value hedges	1,834		– 38		1,872
Other derivatives	203		38		165
Deferred tax liabilities	**338**	**1**			**337**
Non-current provisions	**50**	**– 2**			**52**
Pension provisions	45	– 2			47
Other liabilities	**1,125**		**0**		**1,125**
Accrued interest on hedging derivatives	465		– 15		480
Accrued interest on other derivatives	140		15		125
Total equity and liabilities	96,333	0	0	0	96,333

Adjusted consolidated income statement for the period from January 1, 2011 to December 31, 2011

	2011 Adjusted consolidated income statement € m	2011 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	2011 Adjustments related to classification changes within hedge accounting and derivatives € m	2011 Published consolidated income statement € m
Interest income	**2,979**		**– 137**	**3,116**
Interest income from lending transactions	2,978			2,978
Interest income from available-for-sale securities	425			425
Interest income from held-to-maturity securities	256			256
Interest income from other derivatives	0		– 100	100
Other interest income	– 680		– 37	– 643
Interest expense	**– 1,676**		**114**	**– 1,790**
Interest expenses on deposits from banks	– 204			– 204
Interest expenses on amounts due to customers	– 1,459			– 1,459
Interest expenses on securitized liabilities	– 7			– 7
Interest expenses on other derivatives	0		114	– 114
Other interest expenses	– 6			– 6
Net interest income	**1,303**		**– 23**	**1,326**
Commission income	146			146
Commission expense	– 105			– 105
Net commission income	41			41
Net gains / losses on measurement of derivatives and hedged items	**– 6**		**23**	**– 29**
Changes in fair value of				
Derivatives in fair value hedges (excl. pull-to-par)	– 1,358		– 355	– 1,003
Derivatives in cash flow hedges (ineffective portion)	– 1			– 1
Other derivatives	– 1		– 13	12
Changes in the fair values of the hedged items that relate to	1,354		391	963
Other net gains / losses on financial investments and investment property	– 157			– 157
Other income and expenses	137			137
Total income	1,318		0	1,318
Risk provision	– 77			– 77
Personnel expenses	**– 203**	**0**		**– 203**
Salaries	– 135			– 135
Bonuses	– 7			– 7
Expenses for pensions and other post-employment benefits	– 5	0		– 5
Social insurance contributions	– 29			– 29
Share-based payments	– 2			– 2
Expenses for external employees	– 17			– 17
Training and continuing education	– 3			– 3
Other personnel costs	– 5			– 5
Other administrative expenses	– 378			– 378
Total expenses	– 658	0		– 658

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Continued	2011 Adjusted consolidated income statement € m	2011 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	2011 Adjustments related to classification changes within hedge accounting and derivatives € m	2011 Published consolidated income statement € m
Profit before tax	660	0	0	660
Income tax	−211			−211
Profit after tax	449	0	0	449
attributable to non-controlling interests	0			0
attributable to owners of the parent	449	0		449

Adjusted consolidated statement of comprehensive income for the period from January 1, 2011 to December 31, 2011

	2011 Adjusted consolidated statement of comprehensive income € m	2011 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	2011 Published consolidated statement of comprehensive income € m
Profit after tax (carried forward)	449		449
Other comprehensive income			
Items that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss			
Remeasurement gains/losses related to defined benefit plans	−2	−2	0
Income tax	1	1	0
Other comprehensive income from items that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss	**−1**	**−1**	**0**
Items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss			
Impairment losses	136		136
Realized gains/losses transferred to profit or loss	20		20
Remeasurements of available-for-sale financial investments	18		18
Changes in cash flow hedge reserve	−14		−14
Income tax	−51		−51
Other comprehensive income from items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss	109		109
Consolidated other comprehensive income	**108**	**−1**	**109**
Total comprehensive income	**557**	**−1**	**558**
attributable to non-controlling interests	0		0
attributable to owners of the parent	**557**	**−1**	**558**

Correction for the reporting period in the event of early application of standards and voluntary changes in reported amounts

The tables below present pro-forma figures for fiscal year 2012, showing the impacts which would have resulted had the Bank not changed accounting policies and had it not applied IAS 19 (rev. 2011) early.

Presentation of the corrections to the consolidated statement of financial position as of December 31, 2012

	12/31/2012 Consolidated statement of financial position € m	12/31/2012 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	12/31/2012 Adjustments related to classification changes within hedge accounting and derivatives € m	12/31/2012 Pro-forma consolidated statement of financial position € m
Assets				
Derivatives with positive fair value	**347**			**347**
Derivatives in portfolio fair value hedges	123		172	295
Other derivatives	213		– 172	41
Deferred tax assets	**440**	**– 22**	**0**	**418**
Other assets	**785**	**10**	**0**	**795**
Accrued interest on hedging derivatives	54		46	100
Accrued interest on other derivatives	95		– 46	49
Other assets	65	10		75
Total assets	120,289	– 12	0	120,277
Equity and liabilities				
Equity				
Subscribed capital	100			100
Reserves	**5,965**	**53**		**6,018**
Non-controlling interests	0			0
Equity	6,065	53	0	6,118
Liabilities				
Derivatives with negative fair value	**3,926**			**3,926**
Derivatives in portfolio fair value hedges	2,813		502	3,315
Other derivatives	537		– 502	35
Deferred tax liabilities	**647**	**3**		**650**
Non-current provisions	**128**	**– 68**		**60**
Pension provisions	116	– 68		48
Other liabilities	**1,157**		**0**	**1,157**
Accrued interest on hedging derivatives	436		92	528
Accrued interest on other derivatives	144		– 92	52
Total equity and liabilities	120,289	– 12	0	120,277

Presentation of the corrections to the consolidated income statement for 2012

	2012 Consolidated income statement € m	2012 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	2012 Adjustments related to classification changes within hedge accounting and derivatives € m	2012 Pro-forma consolidated income statement € m
Interest income	**2,976**		**100**	**3,076**
Interest income from lending transactions	3,151			3,151
Interest income from available-for-sale securities	539			539
Interest income from held-to-maturity securities	107			107
Interest income from other derivatives	0		63	63
Other interest income	–821		37	–784
Interest expense	**–1,794**		**–67**	**–1,861**
Interest expenses on deposits from banks	–225			–225
Interest expenses on amounts due to customers	–1,542			–1,542
Interest expenses on securitized liabilities	–25			–25
Interest expenses on other derivatives	0		–67	–67
Other interest expenses	–2			–2
Net interest income	**1,182**	**0**	**33**	**1,215**
Commission income	150			150
Commission expense	–105			–105
Net commission income	45			45
Net gains/losses on measurement of derivatives and hedged items	**22**		**–33**	**–11**
Changes in fair value of				
Derivatives in fair value hedges (excl. pull-to-par)	–1,508		620	–888
Derivatives in cash flow hedges (ineffective portion)	–1			–1
Other derivatives	0		6	6
Changes in the fair values of the hedged items that relate to the hedged risk	1,531		–659	872
Other net gains/losses on financial investments and investment property	–42			–42
Other income and expenses	–15			–15
Total income	1,192	0	0	1,192

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Continued	2012 Consolidated income statement € m	2012 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	2012 Adjustments related to classification changes within hedge accounting and derivatives € m	2012 Pro-forma consolidated income statement € m
Risk provision	– 83			– 83
Personnel expenses	**– 230**	**3**		**– 227**
Salaries	– 157			– 157
Bonuses	– 8			– 8
Expenses for pensions and other post-employment benefits	– 6	3		– 3
Social insurance contributions	– 32			– 32
Share-based payments	– 2			– 2
Expenses for external employees	– 16			– 16
Training and continuing education	– 4			– 4
Other personnel costs	– 5			– 5
Other administrative expenses	– 393			– 393
Total expenses	**– 706**	**3**	**0**	**– 703**
Profit before tax	**486**	**3**	**0**	**489**
Income tax	**– 161**	**– 1**		**– 162**
Profit after tax	**325**	**2**	**0**	**327**
attributable to non-controlling interests	0			0
attributable to owners of the parent	325	2		327

Presentation of the corrections to the consolidated statement of comprehensive income for 2012

	2012 Consolidated statement of comprehensive income € m	2012 Adjustments related to the first-time adoption of IAS 19 (rev. 2011) € m	2012 Pro-forma consolidated statement of comprehensive income € m
Profit after tax (carried forward)	325	2	327
Other comprehensive income			
Items that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss			
Remeasurement gains / losses related to defined benefit plans	– 44	44	0
Income tax	14	– 14	0
Other comprehensive income from items that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss	**– 30**	**30**	**0**
Items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss			
Impairment losses	0		0
Realized gains / losses transferred to profit or loss	9		9
Remeasurements of available-for-sale financial investments	681		681
Changes in cash flow hedge reserve	– 11		– 11
Income tax	– 217		– 217
Other comprehensive income from items that are, in accordance with other IFRSs, eligible for subsequent reclassification to profit or loss	462		462
Consolidated other comprehensive income	**432**	**30**	**462**
Total comprehensive income	**757**	**32**	**789**
attributable to non-controlling interests	0		0
attributable to owners of the parent	757	32	789

k) Disclosures relating to changes in reporting standards

The following standards, interpretations, and amendments to existing standards are applicable as of fiscal year 2012:

Standard/ Interpretation	Version (latest amendment)	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IFRS 1	rev. 2010	First-time Adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jul. 1, 2011	Jul. 1, 2011	Nov. 23, 2011
IFRS 7	rev. 2010	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jul. 1, 2011	Jul. 1, 2011	Nov. 23, 2011

In fiscal year 2012, the amendments to IFRS 7 led to extended disclosure requirements 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 following standards have already been adopted into EU law and are relevant as follows for future reporting periods.

Standard/ Interpretation	Version (latest amendment)	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. 2012	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 1	rev. 2012	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2013	Jan. 1, 2013	Mar. 28, 2013
IAS 2	rev. 2012	Inventories	Vorräte	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 7	rev. 2012	Statements of Cash Flows	Kapitalflussrechnungen	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 8	rev. 2012	Accounting Policies, Changes in Accounting Estimates and Errors	Rechnungslegungsmethoden, Änderungen von rechnungslegungsbezogenen Schätzungen und Fehler	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 10	rev. 2012	Events after the Reporting Period	Ereignisse nach der Berichtsperiode	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 12	rev. 2010	Income Taxes	Ertragsteuern	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 12	rev. 2012	Income Taxes	Ertragsteuern	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 16	rev. 2012	Property, Plant and Equipment	Sachanlagen	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 16	rev. 2012	Property, Plant and Equipment	Sachanlagen	Jan. 1, 2013	Jan. 1, 2013	Mar. 28, 2013
IAS 17	rev. 2012	Leases	Leasingverhältnisse	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 18	rev. 2012	Revenue	Umsatzerlöse	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 19	rev. 2012	Employee Benefits	Leistungen an Arbeitnehmer	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 20	rev. 2012	Accounting for Government Grants and Disclosure of Government Assistance	Bilanzierung und Darstellung von Zuwendungen der öffentlichen Hand	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 21	rev. 2012	The Effects of Changes in Foreign Exchange Rates	Auswirkungen von Wechselkursänderungen	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012

Standard/ Interpretation	Version (latest amendment)	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IAS 24	rev. 2012	Related Party Disclosures	Angaben zu Beziehungen zu nahestehenden Unternehmen und Personen	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IAS 27	issued 2011	Separate Financial Statements	Einzelabschlüsse	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IAS 28	rev. 2012	Investments in Associates and Joint Ventures	Anteile an assoziierten Unternehmen und Gemeinschaftsunternehmen	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 28	issued 2011	Investments in Associates and Joint Ventures	Anteile an assoziierten Unternehmen und Gemeinschaftsunternehmen	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IAS 32	rev. 2011	Financial Instruments: Presentation	Finanzinstrumente: Darstellung	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 32	rev. 2012	Financial Instruments: Presentation	Finanzinstrumente: Darstellung	Jan. 1, 2013	Jan. 1, 2013	Mar. 28, 2013
IAS 32	rev. 2012	Financial Instruments: Presentation	Finanzinstrumente: Darstellung	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 32	rev. 2011	Financial Instruments: Presentation	Finanzinstrumente: Darstellung	Jan. 1, 2014	Jan. 1, 2014	Dec. 29, 2012
IAS 33	rev. 2012	Earnings per Share	Ergebnis je Aktie	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 34	rev. 2012	Interim Financial Reporting	Zwischenberichterstattung	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 34	rev. 2012	Interim Financial Reporting	Zwischenberichterstattung	Jan. 1, 2013	Jan. 1, 2013	Mar. 28, 2013
IAS 36	rev. 2012	Impairment of Assets	Wertminderung von Vermögenswerten	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 38	rev. 2012	Intangible Assets	Immaterielle Vermögenswerte	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 39	rev. 2012	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IAS 39	rev. 2012	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2013	Jan. 1, 2013	Mar. 5, 2013
IAS 39	rev. 2012	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2013	Jan. 1, 2014	Apr. 5, 2013
IAS 40	rev. 2012	Investment Property	Als Finanzinvestition gehaltene Immobilien	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IAS 41	rev. 2012	Agriculture	Landwirtschaft	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012

Standard/ Interpreta-tion	Version (latest amendment)	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IFRS 1	rev. 2010	First-time Adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jul. 1, 2011	Jan. 1, 2013	Dec. 29, 2012
IFRS 1	rev. 2012	First-time Adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IFRS 1	rev. 2012	First-time Adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRS 1	rev. 2012	First-time Adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jan. 1, 2013	Jan. 1, 2013	Mar. 5, 2013
IFRS 1	rev. 2012	First-time Adoption of International Financial Reporting Standards	Erstmalige Anwendung der International Financial Reporting Standards	Jan. 1, 2013	Jan. 1, 2014	Apr. 5, 2013
IFRS 2	rev. 2012	Share-based Payment	Anteilsbasierte Vergütung	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IFRS 3	rev. 2012	Business Combinations	Unternehmenszusammenschlüsse	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IFRS 4	rev. 2012	Insurance Contracts	Versicherungsverträge	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRS 5	rev. 2012	Non-current Assets Held for Sale and Discontinued Operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IFRS 7	rev. 2012	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IFRS 7	rev. 2011	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRS 10	issued 2011	Consolidated Financial Statements	Konzernabschlüsse	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IFRS 10	issued 2011	Consolidated Financial Statements	Konzernabschlüsse	Jan. 1, 2013	Jan. 1, 2014	Apr. 5, 2013
IFRS 11	issued 2011	Joint Arrangements	Gemeinsame Vereinbarungen	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IFRS 11	issued 2011	Joint Arrangements	Gemeinsame Vereinbarungen	Jan. 1, 2013	Jan. 1, 2014	Apr. 5, 2013
IFRS 12	issued 2011	Disclosure of Interests in Other Entities	Angabe zu Beteiligungen an anderen Unternehmen	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012

Standard/ Interpretation	Version (latest amendment)	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IFRS 12	issued 2011	Disclosure of Interests in Other Entities	Angabe zu Beteiligungen an anderen Unternehmen	Jan. 1, 2013	Jan. 1, 2014	Apr. 5, 2013
IFRS 13	issued 2011	Fair Value Measurement	Bemessung des beizulegenden Zeitwerts	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRIC 2	rev. 2012	Members' Shares in Cooperative Entities and Similar Instruments	Geschäftsanteile an Genossenschaften und ähnliche Instrumente	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRIC 2	rev. 2012	Members' Shares in Cooperative Entities and Similar Instruments	Geschäftsanteile an Genossenschaften und ähnliche Instrumente	Jan. 1, 2013	Jan. 1, 2013	Mar. 28, 2013
IFRIC 4	rev. 2012	Determining Whether an Arrangement Contains a Lease	Feststellung, ob eine Vereinbarung ein Leasingverhältnis enthält	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRIC 5	rev. 2012	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Rechte auf Anteile an Fonds für Entsorgung, Rekultivierung und Umweltsanierung	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IFRIC 9	rev. 2012	Reassessment of Embedded Derivatives	Neubeurteilung eingebetteter Derivate	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IFRIC 13	rev. 2012	Customer Loyalty Programmes	Kundenbindungsprogramme	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRIC 16	rev. 2012	Hedges of a Net Investment in a Foreign Operation	Absicherung einer Nettoinvestition in einen ausländischen Geschäftsbetrieb	Jan. 1, 2013	Jan. 1, 2014	Dec. 29, 2012
IFRIC 17	rev. 2012	Distribution of Non-Cash Assets to Owners	Sachdividende an Eigentümer	Jan. 1, 2013	Jan. 1, 2013 and Jan. 1, 2014	Dec. 29, 2012
IFRIC 19	rev. 2012	Extinguishing Financial Liabilities with Equity Instruments	Tilgung finanzieller Verbindlichkeiten durch Eigenkapitalinstrumente	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012
IFRIC 20	issued 2011	Stripping Costs in the Production Phase of a Surface Mine	Abraumkosten in der Produktionsphase einer über Tagebau erschlossenen Mine	Jan. 1, 2013	Jan. 1, 2013	Dec. 29, 2012

At present, the Bank estimates the impacts of these standards as follows:

The adoption of IFRS 10 "Consolidated Financial Statements" effectively amended and renamed IAS 27 "Consolidated and Separate Statements". IAS 27 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 of the investment in the relevant entity. The risks and rewards approach under SIC-12 is discontinued. 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 by exercising influence over the relevant activities of the investee. 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. The impact analysis, which reviewed the material existing contractual arrangements in the areas of lending and outsourcing, did not result in an expansion of the group of entities included in consolidation as compared to the previously applied IAS 27. ING-DiBa will apply IFRS 10 for the first time in fiscal year 2013.

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 previously contained the relevant provisions for accounting for joint ventures. Going forward, joint ventures will be accounted for exclusively using the equity method or a modified technique which deviates significantly from the standard proportionate consolidation method. The impact analysis, whereby significant lending and cooperation agreements were reviewed, did not result in the need to include any entities in the subgroup consolidated financial statements in accordance with IFRS 11. ING-DiBa will apply IFRS 11 for the first time in fiscal year 2013.

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 items 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 impact of IFRS 12 will be limited to an expansion of reporting. In particular, reporting on structured entities above and beyond the group of entities included in the basis of consolidation is new. ING-DiBa will apply IFRS 12 for the first time in fiscal year 2013.

The new IFRS 13 "Fair Value Measurement" introduces a comprehensive framework for measuring the fair value of financial and non-financial items. IFRS 13 sets out how fair value is to be determined if another Standard calls for fair value measurement. 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 an orderly transaction would take place, and the assumptions made by market participants in measuring fair value. In addition, for a non-financial asset the highest and best use of the asset must be determined from the perspective of the market participants. This renders it necessary to analyze whether the assets result in the highest and best use, individually or together with other assets or liabilities. If there is no quoted market price for an asset or liability being measured, IFRS 13 stipulates a market approach, an income approach or a cost approach to determining fair value. The valuation technique selected should be consistent and based to the furthest extent possible on relevant observable inputs. The measurement of share-based payment transactions in accordance with IFRS 2 (note 29) and leases in accordance with IAS 17 (note 27) are excluded from the scope of IFRS 13, as are measurement bases which are similar but not identical to the basic concept of fair value. In these circumstances, items continue to be measured in accordance with the specific standards. Furthermore, disclosures in accordance with IFRS 13 in relation to certain transactions need not be made because the specific standards already require such disclosures. IFRS 13 shall be applied prospectively in the fiscal year in which it is initially applied. Changes in values arising from application of the new measurement techniques in accordance with IFRS 13 are to be recognized in profit or loss if these changes relate to items recognized at fair value through profit or loss, and changes relating to items recognized outside profit or loss are to be recognized in other comprehensive income for the year in which the Standard is first applied. Given the nature of ING-DiBa's business activities, the measurement of financial assets and financial liabilities in particular impact its net assets, financial position and results of operations. Only derivatives are measured at fair value through profit or loss at ING-DiBa. The fair value option accorded under IAS 39 was not exercised (see "Significant accounting policies", d)). Collateral agreements in the form of mutual cash collateral deposits denominated in euros have been entered into with the counterparties for the majority of simply structured OTC interest rate swaps. ING-DiBa continues to hold a small amount of uncollateralized short-term swaps from legacy portfolios. Swaps are presented either as derivatives with positive fair value (note 6) or as derivatives with negative fair value (note 17). The impact analysis revealed that only immaterial changes in value can be expected for derivatives as a result of the valuation technique stipulated by IFRS 13. In addition to the currently existing measures aimed at reducing bilateral default risk through the provision or receipt of cash collateral and the constant review of internal processes, stricter regulations relating to providing and receiving collateral are expected as the central counterparty clearing regime enters into effect for numerous derivatives in fiscal year 2013, thus further reducing the default risks of the participating institutions. If the price quality on the defined principal market is high, financial investments (note 5) (IFRS category AfS) are measured using the observable price. If no principal market has been identified or ING-DiBa does not have access to this market, the most advantageous market must be determined and the fair value of the asset must be measured as the highest realizable net price. If it is assumed that the observed price is not of sufficiently high quality or the transaction is unusual, theasset is measured using alternative techniques. ING-DiBa commonly uses income-approach techniques such as discounted cash flow (DCF) methods using specific sector curves and spreads. It is not expected that the introduction of IFRS 13 will result in changes in the carrying amounts of financial investments in the IFRS notes. At present, no material changes are expected for the carrying amounts disclosed for loans and advances to banks (note 2) or loans and advances to customers (note 3) (both IFRS category LaR). In the absence of sufficiently high-quality prices for ABSs / MBSs, internal valuation models are used, as with other loans and advances to customers. These models factor in inputs which are generally observable on the market, as well as inputs which are not observable. The fair value of the carrying amounts for deposits from banks (note 15) and amounts due to customers (note 16) (both measured at amortized cost in accordance with IFRS) is measured using internal valuation models based on parameters which are directly observable, derived, or potentially not directly observable. The valuation models and the inputs used in them are subject to constant review. No material changes in value are expected to arise from the application of IFRS 13. ING-DiBa determines the fair value of issued mortgage bonds (Hypothekenpfandbriefe, measured at amortized cost in accordance with IFRS) (note 14) using internal valuation techniques based exclusively on directly observable inputs and inputs derived therefrom. No material changes in value are expected to result from the application of IFRS 13. Market value appraisals for non-financial assets measured at fair value such as investment property (note 7) and Group-occupied property (note 8) are prepared by independent experts assuming that the current use represents the best and highest use, which is why at present there is no expectation that the implementation of IFRS 13 will result in a material impact on carrying amounts.

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. As previously, this issue does not affect ING-DiBa.

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 revisions to IAS 32 clarify in particular the terms “currently” and “simultaneously”. New disclosure requirements in IFRS 7 are intended to facilitate reconciliation between gross and net items for financial instruments. Among other things, the revised IFRS 7 contains disclosure requirements relating to financial instruments which are subject to global netting agreements or similar agreements. IFRS 7 will become mandatory beginning in fiscal year 2013, and IAS 32 will become mandatory beginning in fiscal year 2014. According to an initial analysis, IAS 32 will not result in a material impact on ING-DiBa.

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.

Further standards or 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 initially reduces to two the number of classifications for subsequent measurement: measurement at amortized cost and measurement at fair value immediately in profit or loss.

The starting points for classification in the published Standard 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. 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.

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.

"ED Classification and Measurement: Limited Amendments to IFRS 9 (Proposed Amendments to IFRS 9 (2010))", published in November 2012, proposed introducing the category "at fair value through equity (OCI)".

The starting points for classification are the criteria of the "at amortized cost" category. The ED proposes measuring financial assets at amortized cost if the financial assets are debt instruments with simply structured principal and interest payment modalities, and these represent the only features of the product (product features test). Moreover, these financial instruments must be held within a business model in which assets are managed both in order to collect contractual cash flows and for sale (business model test). It is presumable that this category would apply primarily to loan portfolios and a number of other debt instruments.

Financial assets with essentially the same product features as those held at amortized cost but which are held within a business model in which assets are managed both in order to collect contractual cash flows and for occasional sale would be subsequently measured at fair value through OCI. This category will presumably apply to a larger number of financial instruments held in investment portfolios.

According to the Exposure Draft, all other financial assets, i.e., those with complex structures or those held with the intention to trade or at least with the option of being sold on, would be subsequently measured at fair value through profit or loss.

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.

With respect to impairment, the draft Standard, which includes the Exposure Draft "Financial Instruments: Expected Credit Losses" published in March 2013, calls for a three-bucket model for risk groups and the application of an expected loss model.

The scope of the new impairment requirements covers all financial assets measured at amortized cost or at fair value through other comprehensive income, as well as lease receivables, loan commitments and financial guarantees.

A uniform impairment model generally applies for all instruments within the scope of the draft Standard. The draft calls for three stages ("buckets") which reflect the changes in an instrument's credit quality. If there has been no significant deterioration in an asset's credit quality since initial recognition, or the instrument has a low risk of default, the present value of 12-month expected credit losses is recognized. Interest revenue is recognized on the basis of effective interest on the gross carrying amount (stage 1).

If there is a significant increase in default risk but no objective indication of impairment, the risk provision is increased by the amount of the lifetime expected credit losses. The calculation of interest revenue remains unchanged (stage 2).

In the event there is an objective indication of impairment, interest revenue must then be calculated based on the net carrying amount of the instrument from that point forward (stage 3).

Special requirements apply to financial instruments which have been acquired or issued for which there are already objective indications of impairment at the time of initial recognition.

The future accounting treatment of hedges is to be more closely linked with operational risk management. Hedge accounting is to reflect how entities use hedges for risk management purposes and allow for recalibration of hedges without requiring the hedges to be rolled over.

The closer link with operational risk management will result in the elimination of traditionally strict bounds within which a hedge must be in order to be deemed effective so that it qualifies for hedge accounting. Going forward, hedge accounting may also relate to groups of items which may also be designated as net positions. Derivatives may also be components in such aggregated risk positions.

Under the recommendations, some cash instruments measured at fair value through profit or loss may also be considered for use as hedges. Other cash instruments may only be designated for use as hedges of currency risks.

When credit risks are hedged, there will be the option of measuring the hedged item at fair value through profit or loss over the term of the hedge. The new regulations will entail comprehensive disclosure requirements focusing on hedged risks, the management of these risks and the impact of these risks on the IFRS financial statements.

The rules on macro hedge accounting have been separated from the IFRS 9 project for the time being and are being developed separately. The objective here is also to strengthen the link with operational risk management.

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 Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) issued on June 28, 2012 contains clarifications and additional exemptions relating to the disclosure of comparative figures. This guidance is not expected to have a material impact on ING-DiBa.

“Investment Entities”, issued on October 31, 2012 (“Amendments to IFRS 10, IFRS 12 and IAS 27”) contained separate requirements pertaining to the consolidation of subsidiaries for qualifying investment entities. These requirements do not affect ING-DiBa.

I) Events after the reporting period

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

Notes to the consolidated statement of financial position

(1) Cash reserve

	12/31/2012 € m	12/31/2011 € m
Cash balance	113	78
Balances with central banks	570	2,705
Total	683	2,783

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

(2) Loans and advances to banks

	12/31/2012 € m	12/31/2011 € m
Payable on demand	4,122	3,260
Other loans and advances	3,215	2,531
Allowances	0	0
Total	7,337	5,791

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

All loans and advances to banks are classified as loans and receivables as defined in IAS 39.9.

It is expected that, of the loans and advances to banks as of December 31, 2012, an amount of EUR 853 million will be realized or settled only after twelve months have passed (December 31, 2011: EUR 875 million).

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

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

Loans and advances to banks include cash collateral provided for derivatives (notes 6 and 17) of EUR 3,956 million (December 31, 2011: EUR 3,030 million). Please refer to note 24 for information on collateral provided.

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 accepted as collateral (note 5). At the end of the year under review (December 31, 2012), they amounted to EUR 375 million (December 31, 2011: EUR 1,202 million). For more information on repo transactions, refer to notes 5 and 15.

(3) Loans and advances to customers

	12/31/2012 € m	12/31/2011 € m
Mortgages	59,986	56,586
Consumer loans	3,895	3,320
Public sector loans	5,609	3,945
Corporate loans	3,239	1,598
Asset-backed securities (ABS)/ mortgage-backed securities (MBS)	9,858	9,776
Loans and advances to customers before risk provision	82,587	75,225
Portfolio-based impairment allowances	–130	–117
Specific impairment allowances including those calculated on a portfolio basis	–375	–376
Loans and advances to customers after risk provision	82,082	74,732

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

The growth in corporate loans is primarily due to the intra-Group transfer of existing lending commitments in the course of fiscal year 2012 (note 29).

It is expected that, of the loans and advances to customers as of December 31, 2012, an amount of EUR 70,507 million will not be realized or settled within twelve months (December 31, 2011: EUR 67,547 million).

The item includes cash collateral provided for derivatives (notes 6 and 17) of EUR 78 million (December 31, 2011: EUR 27 million). No cash collateral had been issued for repo transactions as of the end of the reporting periods presented.

For the total volume of Pfandbriefe (mortgage bonds) on issue as of December 31, 2012, EUR 3,776 million in real estate loans was allocated to the cover pool for Pfandbrief issues (December 31, 2011: EUR 2,265 million) (note 14).

Of the loans and advances to customers, EUR 1,650 million (December 31, 2011: EUR 1,648 million) was pledged as collateral for transactions with the KfW development bank.

Note 24 provides a summary of the collateral provided.

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

Allowances for losses on loans and advances to customers

	12/31/2012 € m	12/31/2011 € m
Mortgages	– 359	– 357
Consumer loans	– 138	– 129
Public sector loans	0	0
Corporate loans	– 7	– 7
Asset-backed securities (ABS)/ mortgage-backed securities (MBS)	– 1	0
Total	– 505	– 493
Loans and advances to customers before risk provision	82,587	75,225
Risk provision	– 505	– 493
Loans and advances to customers after risk provision	82,082	74,732

In accordance with IAS 39.59, an allowance for losses on financial assets 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 occurred 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

	2012 Portfolio-based impairment allowances € m	2012 Specific impairment allowances including those calculated on a portfolio basis € m	2012 Total € m
Balance on Jan. 1	− 117	− 376	− 493
Merger / changes in Group structure	0	0	0
Utilization of existing impairment allowances	0	73	73
Additions to / reversals of risk provision	− 13	− 72	− 85
Other changes	0	0	0
Balance on Dec. 31	− 130	− 375	− 505

	2011 Portfolio-based impairment allowances € m	2011 Specific impairment allowances including those calculated on a portfolio basis € m	2011 Total € 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 / reversals of risk provision	− 4	− 76	− 80
Other changes	0	− 1	− 1
Balance on Dec. 31	− 117	− 376	− 493

Expenses of EUR 83 million arising from risk provisions were recognized in the income statement (December 31, 2011: EUR 77 million). Note 36 provides information on expenses arising from risk provision.

Subordinated loans and advances

As of December 31, 2012, subordinated loans amounted to EUR 64 million (December 31, 2011: EUR 0 million), resulting from the intra-Group transfer of existing lending commitments (notes 3 and 29).

(4) Adjustment to portfolio fair value hedges

	12/31/2012 € m	12/31/2011 € m
Adjustment to portfolio fair value hedges	2,904	2,366
Total	2,904	2,366

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

It is expected that, of the adjustment to portfolio fair value hedges as of December 31, 2012, an amount of EUR 2,885 million will be realized or settled only after twelve months have passed (December 31, 2011: EUR 2,350 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”, note 31 “net interest income” and 33 “net gains/losses on measurement of derivatives and hedged items”.

The amount reported for the amortization of this line item was adjusted retrospectively beginning in fiscal year 2012. Please refer to section j) under “Significant accounting policies” for further information. Prior-year figures were adjusted.

(5) Financial investments

This caption is used primarily to report bonds and other fixed-income securities.

Financial investments

	12/31/2012 € m	12/31/2011 € m
Available-for-sale		
Bonds and other fixed-income securities, surrender claim	25,626	16,556
Equity investments	4	3
Total AfS	25,630	16,559
Held-to-maturity		
Bonds and other fixed-income securities	0	5,643
Total HtM	0	5,643
Total	25,630	22,202

As of the reporting date (December 31, 2012), no financial instruments were allocated to the “held-to-maturity” measurement category. Further explanation is provided under “Changes in financial investments” in this note and in section d) in the chapter on “Significant accounting policies.”

The surrender claim classified as available for sale results from a change in a pension plan in the previous fiscal year 2011. 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, 2012, an amount of EUR 22,358 million (December 31, 2011: EUR 15,909 million) is expected to be realized or settled after more than twelve months.

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

Changes in financial investments

	2012 AfS securities € m	2012 AfS equity investments € m	2012 HtM securities € m	2012 Total € m
Balance on Jan. 1	16,556	3	5,643	22,202
Additions	6,742	0	0	6,742
Amortization	– 90	0	– 2	– 92
Reclassifications	2,913	0	– 2,913	0
Merger / changes in Group structure	0	0	0	0
Other changes in fair value	1,026	1	0	1,027
Impairments and reversals	0	0	0	0
Disposals	– 543	0	– 2,188	– 2,731
Maturities	– 978	0	– 540	– 1,518
Currency translation differences	0	0	0	0
Balance on Dec. 31	25,626	4	0	25,630

	2011 AfS securities € m	2011 AfS equity investments € m	2011 HtM securities € m	2011 Total € 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

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. All new Greek government bonds were sold in fiscal year 2012. The Bank therefore no longer has any exposure to Greece.

To mitigate risk, in fiscal year 2012, Spanish and Italian government bonds were sold, which had originally been allocated to the "held-to-maturity" measurement category in accordance with the initial intention to hold them. As a result, the entire HtM portfolio was cleared in June 2012. The financial instruments concerned were transferred to the "available-for-sale" category at their fair values at the time of reclassification. Differences between carrying amount prior to reclassification and fair value at the time of reclassification (new carrying amount) were recognized in the revaluation reserve (note 13). The disposal, which had been made because of the credit risks induced by the general economic conditions, led not only to the entire portfolio being reclassified, but also to a penalty under IAS 39.9. As a result, the Bank will not allocate any instruments to the "held-to-maturity" category up to and including December 31, 2014.

No reclassifications were made in fiscal year 2011.

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

	2012 € m	2011 € m
Reverse repo transactions	376	1,318
Securities lending transactions	44	0

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

	12/31/2012 € m	12/31/2011 € m
Derivatives		
Micro fair value hedges	0	0
Portfolio fair value hedges	123	207
Used in cash flow hedges	11	26
Other derivatives	213	84
Total	347	317

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

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 market price risk as well as for duration control and, to a lesser extent, to hedge currency risks. Derivatives in ineffective hedge relationships are also reported under "other derivatives".

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.

This item includes derivative financial instruments designated as hedges and instruments not designated as hedges with a positive fair value of EUR 347 million (December 31, 2011: EUR 317 million).

Further information on derivatives and hedge accounting can be found in note 17 "derivatives with negative fair value", note 23 "hedge accounting", note 31 "net interest income" and note 33 "net gains/losses on measurement of derivatives and hedged items".

An amount of EUR 304 million (December 31, 2011: EUR 298 million) is expected to be realized or settled after more than twelve months.

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

With respect to carrying amount adjustments in relation to interest income and pull-to-par effects of derivatives measurement on the hedged risk, the amounts disclosed were changed retrospectively beginning in fiscal year 2012. This is discussed and the impacts of the change are described in section j) of the chapter "Significant accounting policies". Prior-year figures were adjusted.

(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 techniques can be found in section e) of the chapter on "Significant accounting policies" in this report.

Changes in investment properties

	12/31/2012 € m	12/31/2011 € m
Balance on Jan. 1	12	13
Additions	0	0
Merger/changes in Group structure	0	0
Reclassifications to/from Group-occupied properties	0	0
Changes in fair value	0	−1
Disposal	0	0
Balance on Dec. 31	12	12

All investment property is measured at fair value.

Status of external property valuation reports

	Percentage of the total fair value of investment property
The most recent valuation report was prepared during the year	
2012	0
2011	100
2010	0
Not appraised by external appraisers	0
Total	100

(8) Property and equipment and owner-occupied properties

	12/31/2012 € m	12/31/2011 € m
IT facilities	18	18
Owner-occupied properties	14	15
Other property and equipment	11	18
Total	43	51

Changes in property and equipment and owner-occupied properties

	2012 IT facilities € m	2012 Owner-occupied properties € m	2012 Other property and equipment € m	2012 Total € m
Carrying amount on Jan. 1	18	15	18	51
Additions	7	0	1	8
Merger / changes in Group structure	0	0	0	0
Disposals	0	0	0	0
Depreciation	– 10	– 1	– 5	– 16
Impairments / reversals	0	0	0	0
Changes in fair value due to remeasurement	0	0	0	0
Reclassifications and other changes	3	0	– 3	0
Carrying amount on Dec. 31	18	14	11	43
Gross carrying amount on Dec. 31	50	17	53	120
Accumulated depreciation as of Dec. 31	– 32	– 3	– 42	– 77
Cumulative changes in fair value as of Dec. 31	0	0	0	0
Carrying amount on Dec. 31	18	14	11	43

	2011 IT facilities € m	2011 Owner-occupied properties € m	2011 Other property and equipment € m	2011 Total € 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

IT facilities and other property and equipment have been measured using the cost 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:

Overview 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 report for Group-occupied properties was issued on December 23, 2011. For this reason there were no reversals of impairment losses due to increases in value in fiscal year 2012 (December 31, 2011: EUR 1 million).

	12/31/2012 € m	12/31/2011 € m
Fair value after remeasurement	15	15
Notional carrying amount under cost method	13	13

(9) Intangible assets

	12/31/2012 € m	12/31/2011 € m
Software	21	28
Goodwill	0	0
Other intangible assets	0	0
Total	21	28

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 cost 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 38) in the income statement.

Any costs of internally generated software expensed through profit or loss in accordance with IAS 38.54 and IAS 38.57 are also recognized under “other administrative expenses” (note 38). In fiscal year 2012, an amount of EUR 8 million was expensed (December 31, 2011: EUR 4 million).

Changes in intangible assets

	2012 Purchased software € m	2012 Internally generated software € m	2012 Goodwill € m	2012 Other intangible assets € m	2012 Total € m
Carrying amount on Jan. 1	20	8	0	0	28
Additions	2	6	0	0	8
Merger / changes in Group structure	0	0	0	0	0
Disposals	0	0	0	0	0
Amortization	– 9	– 6	0	0	– 15
Impairments / reversals	0	0	0	0	0
Reclassifications and other changes	0	0	0	0	0
Carrying amount on Dec. 31	13	8	0	0	21
Gross carrying amount on Dec. 31	88	31	0	0	119
Accumulated amortization as of Dec. 31	– 75	– 23	0	0	– 98
Carrying amount on Dec. 31	13	8	0	0	21

	2011 Purchased software € m	2011 Internally generated software € m	2011 Goodwill € m	2011 Other intangible assets € m	2011 Total € m
Carrying amount on Jan. 1	25	4	0	0	29
Additions	4	7	0	0	11
Merger / changes in Group structure	0	1	0	0	1
Disposals	0	0	0	0	0
Amortization	– 9	– 4	0	0	– 13
Impairments / reversals	0	0	0	0	0
Reclassifications and other changes	0	0	0	0	0
Carrying amount on Dec. 31	20	8	0	0	28
Gross carrying amount on Dec. 31	86	25	0	0	111
Accumulated amortization as of Dec. 31	– 66	– 17	0	0	– 83
Carrying amount on Dec. 31	20	8	0	0	28

(10) Income tax assets

	12/31/2012 € m	12/31/2011 € m
Income tax assets	5	1

Any income tax assets are due within twelve months.

(11) Deferred tax assets

	12/31/2012 € m	12/31/2011 € m
Deferred tax assets	440	381

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 39.

(12) Other assets

	12/31/2012 € m	12/31/2011 € m
Accrued interest on loans and advances to banks	59	28
Accrued interest on loans and advances to customers	77	86
Accrued interest on AfS financial investments	422	301
Accrued interest on HtM financial investments	0	168
Accrued interest on hedging derivatives	54	105
Accrued interest on other derivatives	95	57
Other accrued interest	0	0
Prepaid expenses	13	12
Other assets	65	41
Total	785	799

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

An amount of EUR 5 million in other assets (December 31, 2011: EUR 6 million) is expected to be realized or settled after more than twelve months.

Due to the retrospective, early application of IAS 19 (rev. 2011) in fiscal year 2012, as of December 31, 2012, net assets are no longer reported which previously would have arisen from unrecognized actuarial losses from using the "corridor method" in accordance with IAS 19 (old version) and the fair value of plan assets. Please refer to section j) under "Significant accounting policies" for further information. "Other assets" includes EUR 1 million in a plan surplus as of December 31, 2011.

(13) Consolidated equity

	12/31/2012 € m	12/31/2011 € m
Subscribed capital	100	100
Reserves	5,965	5,352
Revaluation reserves	675	214
Other reserves	5,290	5,138
Total	6,065	5,452

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

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.

This item includes non-controlling interests of EUR 25 thousand (December 31, 2011: EUR 25 thousand). 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 reserves, 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 reserves. As of December 31, 2012, the revaluation reserves contain an amount of less than EUR 1 million for real property (December 31, 2011: 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. The legal reserve contains EUR 1 million in reserves that are required under national law (December 31, 2011: 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 2012, determined in accordance with HGB, of EUR 311 million (2011: EUR 394 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

	2012 Revaluation reserve Real Estate € m	2012 Available-for-sale financial investments € m	2012 Cash flow hedge reserve € m	2012 Other revaluation reserves € m	2012 Total € m
Value as of Jan. 1	0	196	17	0	214
Remeasurement of available-for-sale financial investments	0	425	0	0	425
Reclassifications of financial instruments	0	38	0	0	38
Allowances	0	0	0	0	0
Realized gains / losses transferred to profit or loss	0	9	−3	0	6
Changes in cash flow hedge reserve	0	0	−7	0	−7
Value on Dec. 31	0	668	7	0	675

	2011 Revaluation reserve Real Estate € m	2011 Available-for-sale financial investments € m	2011 Cash flow hedge reserve € m	2011 Other revaluation reserves € m	2011 Total € m
Value as of Jan. 1	0	77	27	0	104
Remeasurement of available-for-sale financial investments	0	12	0	0	12
Reclassifications of financial instruments	0	0	0	0	0
Allowances	0	92	0	0	92
Realized gains / losses transferred to profit or loss	0	14	−1	0	14
Changes in cash flow hedge reserve	0	0	−9	0	−9
Value on Dec. 31	0	196	17	0	214

Available-for-sale financial investments are explained under note 5 and the fair value measurement method is described under note 30.

Revaluation reserves increased by EUR 38 million as a result of the reclassification of all held-to-maturity assets to “available-for-sale” at the time of the reclassification. Further explanation is provided in section d) in the chapter on “significant accounting policies” and in note 5, “financial investments.”

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. Further issues followed in the course of fiscal year 2012, each with a minimum denomination of EUR 100,000.

As of December 31, 2012, the bond was securitized solely through land charges on German residential properties (note 24).

These properties have been entered into the funding register (Refinanzierungsregister).

Changes in securitized liabilities

	12/31/2012 € m	12/31/2011 € m
Balance as of Jan. 1	497	0
Additions	697	497
Amortization	1	0
Balance as of Dec. 31	1,195	497

Securitized liabilities by remaining contractual maturity

	12/31/2012 less than 1 year € m	12/31/2012 1 to 2 years € m	12/31/2012 2 to 3 years € m
Variable-interest securitized liabilities	0	0	0
Fixed-interest securitized liabilities	0	0	0
Total	0	0	0

	12/31/2012 3 to 4 years € m	12/31/2012 4 to 5 years € m	12/31/2012 more than 5 years € m	12/31/2012 Total € m
Variable-interest securitized liabilities	0	50	100	150
Fixed-interest securitized liabilities	498	0	547	1,045
Total	498	50	647	1,195

	12/31/2011 less than 1 year € m	12/31/2011 1 to 2 years € m	12/31/2011 2 to 3 years € m
Variable-interest securitized liabilities	0	0	0
Fixed-interest securitized liabilities	0	0	0
Total	0	0	0

	12/31/2011 3 to 4 years € m	12/31/2011 4 to 5 years € m	12/31/2011 more than 5 years € m	12/31/2011 Total € m
Variable-interest securitized liabilities	0	0	0	0
Fixed-interest securitized liabilities	0	497	0	497
Total	0	497	0	497

(15) Deposits from banks

	12/31/2012 € m	12/31/2011 € m
Payable on demand	307	167
With an agreed maturity or period of notice	8,325	7,788
Total	8,632	7,955

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

It is expected that, of the deposits from banks as of December 31, 2012, an amount of EUR 7,495 million will only be realized or settled after twelve months (December 31, 2011: EUR 6,709 million).

As of December 31, 2012, there were no open market transactions with the European Central Bank System (December 31, 2011: EUR 0 million).

The liabilities reported here include repo and securities lending transactions of EUR 512 million (December 31, 2011: EUR 730 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 accepted for reverse repo transactions of EUR 5 million (December 31, 2011: EUR 4 million) and for derivatives (note 6) of EUR 3 million (December 31, 2011: EUR 10 million).

The accrued interest on deposits from banks is reported under other liabilities (note 21).

(16) Due to customers

	12/31/2012 € m	12/31/2011 € m
Savings deposits	94,697	85,919
Current account balances	3,372	2,488
Other deposits	461	2,453
Total	98,530	90,860

The account shows remarkable growth in the savings deposits of our customers.

The change identified by comparing the volume of other deposits on each of the two reporting dates is due in particular to fixed-term deposits from regional governments or local authorities that have not been rolled over.

Based on the contractual maturities, the Bank would expect that, of the total amount due to customers as of December 31, 2012, an amount of EUR 1,085 million will be realized or settled only after twelve months have passed (December 31, 2011: EUR 683 million).

The liabilities reported here include repo and securities lending transactions of EUR 31 million (December 31, 2011: EUR 390 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 0 million (December 31, 2012: EUR 6 million).

The accrued interest on amounts due to customers is reported under “other liabilities” (note 21).

ING-DiBa participates in the deposit protection fund of the Bundesverband deutscher Banken e.V. (Association of German Banks), Berlin. In addition, it belongs to the Compensation Scheme of German Banks, Berlin (Entschädigungseinrichtung deutscher Banken GmbH, “EdB”).

(17) Derivatives with negative fair value

	12/31/2012 € m	12/31/2011 € m
Derivatives		
Micro fair value hedges	576	243
Portfolio fair value hedges	2,813	2,663
Used in cash flow hedges	0	0
Other derivatives	537	97
Total	3,926	3,003

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

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 market price risk as well as for duration control and, to a lesser extent, to hedge currency risks. Derivatives in ineffective hedge relationships are also reported under "other derivatives".

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.

This item includes derivative financial instruments designated as hedges and instruments not designated as hedges with a negative fair value of EUR 3,926 million (December 31, 2011: EUR 3,003 million).

Further information on derivatives and hedge accounting can be found in note 6 "derivatives with positive fair value", note 23 "hedge accounting", note 31 "net interest income" and note 33 "net gains/losses on measurement of derivatives and hedged items".

For an amount of EUR 3,861 million under derivatives with negative fair value (December 31, 2011: EUR 2,964 million), realization or settlement is only expected after twelve months.

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

(18) Income tax liabilities

	12/31/2012 € m	12/31/2011 € m
Income tax liabilities	9	8

Income tax liabilities relate to current payment obligations to the tax authorities.

The tax reconciliation can be found under note 39.

(19) Deferred tax liabilities

	12/31/2012 € m	12/31/2011 € m
Deferred tax liabilities	647	400

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

The tax reconciliation and explanations of income tax expense can be found in note 39.

Changes in deferred tax assets and liabilities

	01/01/2012 Net deferred taxes € m	Changes recognized in equity € m	Changes recognized in profit or loss € m	Merger/ changes in Group structure € m	Other € m	12/31/2012 Net deferred taxes € m
Financial investments	– 140	– 222	– 88	0	0	– 450
Derivatives with positive and negative fair value	850	0	284	0	0	1,134
Loans and advances to banks and customers	– 755	0	– 179	0	0	– 934
Cash flow hedges	– 9	5	0	0	0	– 4
Pension and personnel provisions	16	13	– 2	0	0	27
Tax loss carryforwards	0	0	0	0	0	0
Other items	18	0	1	0	0	19
Subtotal	– 20	– 204	16	0	0	– 208
Net deferred taxes	– 20	– 204	16	0	0	– 208
Deferred tax assets	381	0	277	0	– 218	440
Deferred tax liabilities	– 400	– 204	– 261	0	218	– 647
Total	– 20	– 204	16	0	0	– 208

	01/01/2011 Net deferred taxes € m	Changes recognized in equity € m	Changes recognized in profit or loss € m	Merger/ changes in Group structure € m	Other € m	12/31/2011 Net deferred taxes € 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	12	1	– 2	0	16
Tax loss carryforwards	9	0	– 9	0	0	0
Other items	20	0	– 2	0	0	18
Subtotal	– 8	– 39	29	– 2	0	– 20
Net deferred taxes	– 8	– 39	29	– 2	0	– 20
Deferred tax assets	329	0	298	0	– 246	381
Deferred tax liabilities	– 337	– 39	– 269	– 2	246	– 400
Total	– 8	– 39	29	– 2	0	– 20

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 – 222 million (December 31, 2011: EUR – 56 million) were taken directly to equity, compared with total gains recognized in the revaluation reserve of EUR 690 million (December 31, 2011: EUR 174 million). This resulted in net gains of EUR 468 million (December 31, 2011: EUR 119 million).

Deferred taxes due to unused tax loss carryforwards

	12/31/2012 € m	12/31/2011 € m
Total unused tax loss carryforwards	1	0
of which not resulting in deferred tax assets	1	0
of which resulting in deferred tax assets	0	0

The average tax rate on which the calculation of the unused tax loss carryforwards was based was 32 percent in fiscal year 2012 (December 31, 2011: 0 percent). Deferred tax assets amounted to EUR 0 million (December 31, 2011: EUR 0 million).

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, 2012 and on December 31, 2011, 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

	12/31/2012 € m	12/31/2011 € m
Pension provisions	116	70
Other personnel provisions	5	4
Provision for restructuring measures	1	2
Other provisions	6	3
Total	128	79

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

An amount of EUR 126 million (December 31, 2011: EUR 77 million) of the provisions recognized is expected to be realized or settled after more than twelve months.

The provision for restructuring measures was transferred to ING-DiBa in the course of the transfer of the Commercial Banking activities in fiscal year 2011.

An amount of EUR 1 million of the other provisions relates to litigation risks (December 31, 2011: EUR 1 million). There is uncertainty with regard to amount and due date. The actual expenses recognized depend on the specific progress of the litigation.

Changes in non-current provisions

	2012 Pension provisions € m	2012 Other personnel provisions € m	2012 Provision for restructuring measures and other provisions € m	2012 Total € m
Carrying amount as of Jan. 1	71	4	4	79
Merger / changes in Group structure	0	0	0	0
Additions during the reporting period	47	2	5	54
Reversals during the reporting period	0	0	−1	−1
Utilizations during the reporting period	−2	−1	−1	−4
Carrying amount as of Dec. 31	116	5	7	128

	2011 Pension provisions € m	2011 Other personnel provisions € m	2011 Provision for restructuring measures and other provisions € m	2011 Total € m
Carrying amount as of Jan. 1	44	3	2	49
Merger/changes in Group structure	23	0	3	26
Additions during the reporting period	5	1	1	7
Reversals during the reporting period	0	0	−2	−2
Utilizations during the reporting period	−1	0	0	−1
Carrying amount as of Dec. 31	71	4	4	79

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

In the case of the items added in the course of the merger, additions, reversals and utilizations relate to the period following the merger date in 2011.

Pension provisions

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 19 million (December 31, 2011: EUR 17 million).

For the German operations, the regulatory framework for the defined benefit pension plans comprises in particular the German Company Pension Plans Act (Gesetz zur betrieblichen Altersversorgung, “BetrAVG”) and pension agreements entered into as individual pension promises on the basis of works agreements.

The benefits paid on the basis of defined benefit plans depend on individual arrangements, are calculated on the basis of final salary and the average salary for the last three service years or are based on a system of pension points by salary class.

Pension plans are protected against insolvency through the German Pension Guarantee Association (Pensionssicherungsverein), a contractual trust agreement (CTA) and a pension fund. The CTA is a guarantee and trust agreement, under which funds can only be used to finance the promised post-employment benefits and which is separate from the employer's other assets.

The plan assets in the CTA and pension fund consist exclusively of units in a special fund launched for ING. ING-DiBa has an obligation to make additional payments to this fund in defined circumstances of insufficient cover.

The Bank carries the risk of maintaining, and generating returns on, the plan assets. ING-DiBa is represented on the investment committee of the special fund. The fund is managed in accordance with the German Pension Fund Capital Investment Regulation (Pensionsfondskapitalanlageverordnung, "PFKapAV"), with target performance and composition being specified.

Other risks from defined benefit pension plans arise from unforeseeable changes in actuarial assumptions.

There were no changes to the plans in fiscal year 2012. The switch from providing post-retirement benefits through a provident fund in favor of providing them through the pension fund was made in the prior-year period (2011). An available-for-sale financial instrument has arisen from the surrender claim from the former provident fund. The instrument is reported under financial investments (note 5). There were no curtailments and plan settlements in the periods under review.

ING-DiBa has opted to retrospectively apply IAS 19 (rev. 2011) early. Please refer to section j) under "Significant accounting policies" for further information. Prior-year figures were adjusted.

Note 29 (Related parties) contains disclosures on pension provisions for former members of executive bodies and their survivors in accordance with German commercial law.

Reconciliation to pension provisions / other assets

	12/31/2012 € m	12/31/2011 € m	01/01/2011 € m
Defined benefit obligation (unfunded plans)	64	46	44
Defined benefit obligation (funded plans)	143	119	0
Less fair value of plan assets	91	95	0
Funding status	116	70	44
Effects arising from asset ceiling	0	0	0
Pension provision	116	71	44
Other assets	0	1	0

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Change in defined benefit obligation (DBO) – total

	2012 € m	2011 € m
DBO as of Jan. 1	165	44
Current service cost	1	1
Interest cost	7	4
Changes in fair value: actuarial gains and losses from financial assumptions	40	4
Changes in fair value: actuarial gains and losses from experience-based adjustments	4	– 2
Benefits paid	– 10	– 5
Merger / changes in the Group structure	0	119
DBO as of Dec. 31	207	165

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Change in defined benefit obligation (DBO) – unfunded plans

	2012 € m	2011 € m
DBO as of Jan. 1	46	44
Current service cost	1	1
Interest cost	2	2
Changes in fair value: actuarial gains and losses from financial assumptions	16	2
Changes in fair value: actuarial gains and losses from experience-based adjustments	1	– 1
Benefits paid	– 2	– 2
DBO as of Dec. 31	64	46

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Change in defined benefit obligation (DBO) – funded plans

	2012 € m	2011 € m
DBO as of Jan. 1	119	0
Current service cost	0	0
Interest cost	5	2
Changes in fair value: actuarial gains and losses from financial assumptions	24	2
Changes in fair value: actuarial gains and losses from experience-based adjustments	3	– 1
Benefits paid	– 8	– 3
Merger / changes in Group structure	0	119
DBO as of Dec. 31	143	119

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Change in plan assets

	2012 € m	2011 € m
Fair value of plan assets as of Jan. 1	95	0
Interest income from plan assets	4	0
Changes in fair value: actual return on plan assets excluding interest income	0	0
Employer contributions	0	2
Benefits paid	– 8	– 3
Merger / changes in Group structure	0	96
Fair value of plan assets as of Dec. 31	91	95

No asset ceiling was applied to over-funded plans.

Composition of plan assets

The composition of the investment fund assets was as follows:

	12/31/2012 Fair value Quoted on an active market € m	12/31/2012 Fair value Not quoted on an active market € m	12/31/2011 Fair value Quoted on an active market € m	12/31/2011 Fair value Not quoted on an active market € m	01/01/2011 Fair value Quoted on an active market € m	01/01/2011 Fair value Not quoted on an active market € m
Shares	25	0	0	0	0	0
of which: eurozone countries	18	0	0	0	0	0
of which: non-eurozone countries	7	0	0	0	0	0
Bonds and debentures	59	0	43	0	0	0
of which: in euros	59	0	43	0	0	0
of which: not in euros	0	0	0	0	0	0
Investment funds	0	0	20	0	0	0
Bank balances / fixed-term deposits	0	7	0	28	0	0
Other assets	0	0	0	4	0	0
Total	84	7	63	32	0	0

Actuarial assumptions

	12/31/2012 Percent	12/31/2011 Percent	01/01/2011 Percent
Imputed interest rate	2.9	4.8	5.1
Salary growth	3.0	3.0	3.0
Inflation	2.0	2.0	2.0

The imputed interest rate is based on prime-rated government bonds with matching currencies and maturities. The basic biometric probabilities are based on the mortality tables normally used in the respective country. Salary growth, turnover, and retirement patterns were estimated specifically for each company.

Sensitivity analysis

The impact of material changes in actuarial assumptions on the defined benefit obligation (DBO) was as follows as of December 31, 2012:

	Financial impact in case of increase € m	Financial impact in case of increase € m
Imputed interest rate +/− 1 percent	−25	32
Mortality rate +/− 10 percent	−6	8
Salary growth +/− 0.25 percent	0	−1
Inflation +/− 0.25 percent	6	−5

The sensitivity analysis is performed using notional assumptions only. There is no minimum funding obligation for funded pension plans.

Average duration of the defined benefit obligation

	Defined benefit obligation Years
Total average duration	12

Pension benefits to be paid in the future

	Pension benefits € m
1 to 12 months	10
1 year to 2 years	11
2 years to 3 years	11
3 years to 4 years	10
4 years to 5 years	11
more than 5 years	54

Other non-current personnel provisions

	12/31/2012 € m	12/31/2011 € m	01/01/2011 € m
Anniversaries	3	2	2
Partial retirement (liability)	2	1	1
Total	5	3	3

Partial retirement provisions are accounted for in accordance with the first-in, first-out method under IAS 19 (rev. 2011) (please refer to sections e) and j) contained in the chapter entitled "significant accounting policies"). Prior-year figures were adjusted.

(21) Other liabilities

	12/31/2012 € m	12/31/2011 € m
Accrued interest on deposits from banks	5	4
Accrued interest on amounts due to customers	1	2
Accrued interest on securitized liabilities	16	7
Accrued interest on hedging derivatives	436	474
Accrued interest on other derivatives	144	76
Other accrued interest	0	0
Other liabilities	555	646
Total	1,157	1,209

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

The last caption, other liabilities, relates primarily to withholding taxes payable on behalf of our customers as well as the profit to be transferred to ING Deutschland GmbH.

It is expected that the other liabilities will be realized within 12 months.

Other disclosures relating to the consolidated statement of financial position

(22) Contractual maturities

Assets by remaining contractual maturity (carrying amounts)

	12/31/2012 on demand € m	12/31/2012 less than 1 month € m	12/31/2012 1 to 3 months € m	12/31/2012 3 to 12 months € m
Cash reserve	683	0	0	0
Loans and advances to banks	4,122	1,796	14	552
Loans and advances to customers	2,278	3,947	1,759	3,591
Adjustment to portfolio fair value hedges	0	0	1	18
Financial investments				
– Available-for-sale	4	720	741	1,790
– Held-to-maturity	0	0	0	0
Derivatives with positive fair value	0	2	4	36
Other assets	0	19	15	752
Remaining assets without determinable remaining contractual maturities	0	0	0	0
Total	7,087	6,484	2,534	6,739

	12/31/2012 1 to 5 years € m	12/31/2012 more than 5 years € m	12/31/2012 indefinite € m	12/31/2012 Total € m
Cash reserve	0	0	0	683
Loans and advances to banks	862	– 9	0	7,337
Loans and advances to customers	34,606	35,901	0	82,082
Adjustment to portfolio fair value hedges	1,289	1,596	0	2,904
Financial investments				
– Available-for-sale	13,132	9,226	17	25,630
– Held-to-maturity	0	0	0	0
Derivatives with positive fair value	250	55	0	347
Other assets	0	439	0	1,225
Remaining assets without determinable remaining contractual maturities	0	0	81	81
Total	50,139	47,208	98	120,289

	12/31/2011 on demand € m	12/31/2011 less than 1 month € m	12/31/2011 1 to 3 months € m	12/31/2011 3 to 12 months € 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	15	19	760
Remaining assets without determinable remaining contractual maturities	0	0	0	0
Total	8,309	2,991	1,875	4,631

	12/31/2011 1 to 5 years € m	12/31/2011 more than 5 years € m	12/31/2011 indefinite € m	12/31/2011 Total € 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	1,180
Remaining assets without determinable remaining contractual maturities	0	0	92	92
Total	33,857	57,708	92	109,463

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

	12/31/2012 on demand € m	12/31/2012 less than 1 month € m	12/31/2012 1 to 3 months € m
Securitized liabilities	0	0	11
Deposits from banks	307	189	345
Due to customers	74,617	3,791	5,882
Derivatives with negative fair value	0	55	265
Other financial liabilities	0	0	0
Other liabilities	0	26	2
Subtotal	74,924	4,061	6,505
Financial guarantees	69	0	45
Irrevocable loan commitments	7	2,477	152
Total	75,000	6,538	6,702

	12/31/2012 3 to 12 months € m	12/31/2012 1 to 5 years € m	12/31/2012 more than 5 years € m	12/31/2012 Total € m
Securitized liabilities	15	640	660	1,326
Deposits from banks	487	3,587	4,856	9,771
Due to customers	15,056	1,193	26	100,565
Derivatives with negative fair value	865	3,194	1,223	5,602
Other financial liabilities	0	0	0	0
Other liabilities	1,130	12	709	1,879
Subtotal	17,553	8,626	7,474	119,143
Financial guarantees	143	85	11	353
Irrevocable loan commitments	692	3,677	335	7,340
Total	18,388	12,388	7,820	126,836

	12/31/2011 on demand € m	12/31/2011 less than 1 month € m	12/31/2011 1 to 3 months € 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
Total	71,710	6,148	6,224

	12/31/2011 3 to 12 months € m	12/31/2011 1 to 5 years € m	12/31/2011 more than 5 years € m	12/31/2011 Total € m
Securitized liabilities	14	524	0	538
Deposits from banks	333	2,243	5,356	9,033
Due to customers	12,373	709	68	92,481
Derivatives with negative fair value	602	2,444	1,092	4,367
Other financial liabilities	0	0	0	0
Other liabilities	1,175	8	461	1,683
Subtotal	14,496	5,929	6,978	108,102
Financial guarantees	245	104	11	623
Irrevocable loan commitments	582	3,338	205	7,246
Total	15,323	9,371	7,194	115,970

(23) Hedge accounting

Hedge accounting is discussed in section d) of the section entitled “significant accounting policies”.

The amounts reported for the interest portion, pull-to-par effects from derivatives valuation and amortization of the adjustments to carrying amounts relating to the hedged risk were adjusted retrospectively beginning in fiscal year 2012. This is discussed in section j) of “significant accounting policies” and in notes 4 (adjustment to portfolio fair value hedges), 6 (derivatives with positive fair value), 17 (derivatives with negative fair value), 12 (other assets), 21 (other liabilities), 23 (hedge accounting), 31 (net interest income) and 33 (net gains / losses on measurement of derivatives and hedged items). Prior-year figures were adjusted.

Fair value hedges

The following table shows the fair values of derivatives held as part of fair value hedges.

	12/31/2012 Assets € m	12/31/2012 Equity and liabilities € m	12/31/2011 Assets € m	12/31/2011 Equity and liabilities € m
Derivatives used as fair value hedges	123	3,389	207	2,906

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Net gains / losses on measurement of derivatives and hedged items are described in note 33.

The accrued interest 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, amounted to EUR 158 million as of December 31, 2012 on the assets side (December 31, 2011: EUR 280 million) and to EUR 3,825 million as of December 31, 2012 on the liabilities side (December 31, 2011: EUR 3,380 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.

	12/31/2012 Assets € m	12/31/2012 Equity and liabilities € m	12/31/2011 Assets € m	12/31/2011 Equity and liabilities € m
Derivatives used as cash flow hedges	11	0	26	0

The accrued interest 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, amounted to EUR 30 million as of December 31, 2012 on the assets side (December 31, 2011: EUR 58 million) and to EUR 0 million as of December 31, 2012 on the liabilities side (December 31, 2011: 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 affect profit or loss.

	2012 less than 1 month € m	2012 1 to 3 months € m	2012 3 to 12 months € m	2012 1 to 2 years € m
Inflow	0	8	22	3
Outflow	0	0	0	0
Net cash flow	0	8	22	3

	2012 2 to 3 years € m	2012 3 to 4 years € m	2012 4 to 5 years € m	2012 more than 5 years € m
Inflow	1	0	0	0
Outflow	0	0	0	0
Net cash flow	1	0	0	0

	2011 less than 1 month € m	2011 1 to 3 months € m	2011 3 to 12 months € m	2011 1 to 2 years € m
Inflow	0	24	41	36
Outflow	0	0	0	0
Net cash flow	0	24	41	36

	2011 2 to 3 years € m	2011 3 to 4 years € m	2011 4 to 5 years € m	2011 more than 5 years € m
Inflow	3	1	0	0
Outflow	0	0	0	0
Net cash flow	3	1	0	0

Cash flow hedge reserve

The following table shows the cash flow hedge reserve under equity. Note 13 provides information on changes in the revaluation reserve.

	12/31/2012 € m	12/31/2011 € m
Cash flow hedge reserve in equity	7	17

As of December 31, 2012, EUR 2 million (December 31, 2011: EUR 0 million) was released from the cash flow hedge reserve due to the disposal of securities. The early termination of hedges in fiscal year 2012 resulted in EUR 1 million being amortized to profit and loss in the reporting year 2012 (2011: EUR 1 million). The effects are reported under other interest income (note 31).

Cash flow hedge ineffectiveness

Cash flow hedge ineffectiveness impacted profit or loss as follows:

	12/31/2012 € m	12/31/2011 € m
Cash flow hedge ineffectiveness	−1	−1

(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.

	12/31/2012 Fair value € m	12/31/2012 Carrying amount € m
Repo transactions		
– Assets transferred (available-for-sale)	542	542
– Corresponding deposits from banks	512	512
– Corresponding amounts due to customers	31	31
Available-for-sale [1]	–1	–1
– Assets transferred (held-to-maturity)	0	0
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity [1]	0	0
Securities lending		
– Assets transferred (available-for-sale)	35	35
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Available-for-sale [1]	35	35
– Assets transferred (held-to-maturity)	0	0
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity [1]	0	0
Used for refinancing in the European Central Bank System		
– Assets transferred (available-for-sale)	902	902
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Available-for-sale [1]	902	902
– Assets transferred (held-to-maturity)	0	0
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity [1]	0	0
EUREX margin collateral		
– Assets transferred (available-for-sale)	26	26
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Available-for-sale [1]	26	26
– Assets transferred (held-to-maturity)	0	0
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity [1]	0	0
Total transferred	1,505	1,505
Total corresponding liabilities	543	543

	12/31/2011 Fair value € m	12/31/2011 Carrying amount € m
Repo transactions		
– Assets transferred (available-for-sale)	935	935
– Corresponding deposits from banks	554	554
– Corresponding amounts due to customers	390	390
Available-for-sale[1]	– 9	– 9
– Assets transferred (held-to-maturity)	171	168
– Corresponding deposits from banks	175	175
– Corresponding amounts due to customers	0	0
Held-to-maturity[1]	– 4	– 7
Securities lending		
– Assets transferred (available-for-sale)	0	0
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Available-for-sale[1]	0	0
– Assets transferred (held-to-maturity)	0	0
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity[1]	0	0
Used for refinancing in the European Central Bank System		
– Assets transferred (available-for-sale)	1,005	1,005
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Available-for-sale[1]	1,005	1,005
– Assets transferred (held-to-maturity)	63	62
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity[1]	63	62
EUREX margin collateral		
– Assets transferred (available-for-sale)	1	1
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Available-for-sale[1]	1	1
– Assets transferred (held-to-maturity)	21	21
– Corresponding deposits from banks	0	0
– Corresponding amounts due to customers	0	0
Held-to-maturity[1]	21	21
Total transferred	2,196	2,192
Total corresponding liabilities	1,119	1,119

1) The totals are shown on a net basis.

The AfS instruments reported here are recognized under "financial investments" in the statement of financial position (note 5). There were no items in the "held-to-maturity" category as of December 31, 2012. Explanation is provided in section d) in the chapter on "significant accounting policies" and in note 5, "financial investments".

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 deposits from banks (note 15) amounting to EUR 512 million (December 31, 2011: EUR 730 million) and amounts due to customers (note 16) amounting to EUR 31 million (December 31, 2011: EUR 390 million).

Recognition in the amount of the continuing involvement

As part of a sub-participation agreement relating to the Commercial Banking business, the Bank transferred EUR 70 million in receivables (December 31, 2011: EUR 70 million), resulting in a continuing involvement of EUR 2 million (December 31, 2011: EUR 3 million), which continues to be recognized under loans and advances to customers (note 3). This is offset correspondingly by EUR 2 million (December 31, 2011: EUR 3 million), which is reported in deposits from banks (note 15).

Financial instruments pledged as collateral

	12/31/2012 € m	12/31/2011 € m
Total AfS financial investments	25,630	16,559
of which pledged as collateral	1,470	1,940
Total HtM financial investments	0	5,643
of which pledged as collateral	0	251
Total LaR	89,989	83,228
of which pledged as collateral	9,659	6,969
Total transferred	11,129	9,161

Further information on AfS financial instruments is contained in the section entitled "financial instruments transferred yet not derecognized" in this note. As of December 31, 2012, there were no financial instruments in the "held-to-maturity" measurement category (explanation in section d) in the chapter on "significant accounting policies" and in note 5, "financial investments"). All financial instruments pledged as collateral by ING-DiBa can be sold or pledged by the recipient of the collateral regardless of whether or not ING-DiBa defaults.

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 3,776 million as of December 31, 2012 (December 31, 2011: EUR 2,265 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, loans against borrower's notes for EUR 71 million (December 31, 2011: EUR 35 million) were transferred as collateral.

Loans and receivables include cash collateral for derivatives of EUR 4,034 million (December 31, 2011: EUR 3,056 million), of which EUR 3,956 million (December 31, 2011: EUR 3,030 million) was attributable to loans and advances to banks (note 2) and EUR 78 million (December 31, 2011: EUR 27 million) to loans and advances to customers (note 3).

Residential mortgage-backed securities (RMBSs) in the amount of EUR 200 million are pledged as collateral with the European Central Bank System. Note 28 contains further information on these RMBSs.

Of the loans and advances to customers (note 3), EUR 1,650 million (December 31, 2011: EUR 1,648 million) was pledged as collateral for transactions with the KfW development bank. These loans and advances to customers 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.

These include irrevocable loan commitments, guarantees and letters of credit.

Contingent liabilities relate primarily to irrevocable loan commitments to customers in the mortgage area (forward loans) and in Commercial Banking.

The expected disbursements for irrevocable loan commitments are presented below. These correspond to the contractually stipulated maximum amounts. The same applies for letters of credit. For guarantees, the maximum amount that can be drawn down is shown.

The Bank has opted to no longer disclose revocable loan commitments on a voluntary basis beginning in fiscal year 2012. As a result, the prior-year figure is also no longer reported. The total amount reported in the previous year was reduced by the corresponding amount.

In the course of the spin-off of the former Frankfurt am Main 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 subsequent liability obligations existing by operation of the law for the protection of ING Bank N.V.'s creditors. This subsequent liability obligation is anchored in Article 2:334t of the Dutch Civil Code and applies to certain obligations on the part of ING Bank N.V. existing as of the effective date of the spin-off (August 31, 2011).

With regard to the scope of liability, a distinction must be drawn between divisible and indivisible obligations. ING-DiBa and ING Bank N.V. have joint and several liability for indivisible obligations on the part of ING Bank N.V. The scope of the subsequent liability for divisible obligations is limited to the value of the net assets of the Frankfurt am Main branch of ING Bank N.V. as of the date of its 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.

Contingent liabilities

	12/31/2012 on demand € m	12/31/2012 less than 1 month € m	12/31/2012 1 to 3 months € m
Irrevocable loan commitments	7	2,477	152
Guarantees and letters of credit	293	8	132
Other transactions	0	0	0
Total	300	2,485	284

	12/31/2012 3 to 12 months € m	12/31/2012 1 to 5 years € m	12/31/2012 more than 5 years € m	12/31/2012 Total € m
Irrevocable loan commitments	692	3,677	335	7,340
Guarantees and letters of credit	236	321	0	990
Other transactions	0	0	0	0
Total	928	3,998	335	8,330

	12/31/2011 on demand € m	12/31/2011 less than 1 month € m	12/31/2011 1 to 3 months € m
Irrevocable loan commitments	2,975	0	145
Guarantees and letters of credit	304	0	118
Other transactions	0	0	0
Total	3,279	0	263

	12/31/2011 3 to 12 months € m	12/31/2011 1 to 5 years € m	12/31/2011 more than 5 years € m	12/31/2011 Total € m
Irrevocable loan commitments	582	3,338	205	7,245
Guarantees and letters of credit	140	233	18	813
Other transactions	0	0	0	0
Total	722	3,571	223	8,058

(26) Pending 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
2013	14
2014	9
2015	16
2016	15
2017	14
in years following 2017	106

Total rental and lease expenses amounted to EUR 22 million in fiscal year 2012 (December 31, 2011: EUR 19 million). Of that amount, EUR 20 million (December 31, 2011: EUR 17 million) was attributable to minimum lease payments and EUR 2 million (December 31, 2011: EUR 2 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, also 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.

(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.

As of December 31, 2012, EUR 200 million in securities were pledged as collateral with the European Central Bank System (December 31, 2011: EUR 0 million). The section entitled "financial instruments pledged as collateral" under note 24 contains further information.

(29) Related parties

Related persons

Total compensation paid to active members of executive bodies (key management personnel)

	12/31/2012 € m	12/31/2011 € m
Current compensation	3	3
Pensions	0	0
Other long-term remuneration	1	2
Severance packages	0	0
Share-based payments	1	0
Total compensation	5	5

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 5.2 million in fiscal year 2012 (2011: EUR 4.8 million).

EUR 4.0 million of the total compensation paid related to the executive activities of Management Board members (previous year: EUR 3.8 million) and EUR 0.8 million related to the executive activities of Supervisory Board members (2011: EUR 0.7 million).

The current compensation includes all fixed and variable components, provided they were paid in the twelve-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 more detailed description can be found under note 37.

Share-based payments to active members of executive bodies

	2012 Amount	2012 Fair value at grant date in €	2011 Amount	2011 Fair value at grant date in €
Options	0	0	0	0
Performance shares, deferred shares	76,853	506,415	124,587	1,165,719

Total compensation paid to former members of executive bodies

Under German commercial law, total compensation paid to former members of executive bodies amounted to EUR 0.8 million in fiscal year 2012 (2011: EUR 0.9 million). A provision of EUR 14.8 million (2011: EUR 14.6 million) was recognized for current pensions and pension entitlements of former members of the Management Board and their dependants in accordance with German commercial law.

Note 20 contains disclosures on pension provisions in accordance with IAS 19 (rev. 2011).

Other related party disclosures

The total amount of loans granted to members of the Management Board and Supervisory Board amounted to EUR 2.1 million as of December 31, 2012 (2011: EUR 1.9 million); loans granted to members of the Supervisory Board amounted to EUR 115 thousand as of the same date (2011: EUR 71 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, 2012 or the end of the previous year's reporting period.

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% interest. The ultimate parent company of the entire ING Group is ING Groep N.V., Amsterdam (the 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)

	12/31/2012 € m	12/31/2011 € m
ING Groep N.V.		
Loans and advances	0	0
Deposits	0	0
Loan commitments	0	0
Income	0	0
Expenses	0	0
ING Bank N.V.		
Loans and advances	1,999	0
Deposits	0	0
Loan commitments	0	0
Income	4	225
Expenses	7	6
Stichting Orange Lion RMBS		
Loans and advances	8,514	7,900
Income	198	84
ING Direct N.V.		
Loans and advances	429	418
Deposits	1	1
Loan commitments	0	0
Income	11	8
Expenses	14	10
ING Deutschland GmbH		
Loans and advances	0	0
Deposits	754	467
Loan commitments	0	0
Income	0	0
Expenses	1	2
ING Holding Deutschland GmbH		
Loans and advances	0	0
Deposits	302	333
Loan commitments	0	0
Income	0	0
Expenses	1	3

In fiscal year 2012, EUR 1,213 million in loan agreements were acquired from ING Bank N.V., all relating to corporate customers.

The liabilities to ING Deutschland relate primarily to the profit transfer to be made. The transfer of the profit determined in accordance with German commercial law is explained in note 13.

The expense relating to ING Direkt N.V. reflects the provision of services to ING-DiBa AG.

All transactions with parent companies were conducted at standard market terms and conditions.

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 Wholesale, Amsterdam
- ING Direct Spain, Madrid
- ING Direct Italy, Mailand
- ING Direct France, Paris
- Interhyp AG, Munich
- ING Belgium, Brussels
- ING Bank Turkey, Istanbul
- ING Lease Germany, Norderstedt
- ING Commercial Finance, Neuss
- ING Commercial Finance Belgium, Brussels
- Real Estate Dev Germany, Frankfurt am Main
- ING Real Estate Finance, Amsterdam

	12/31/2012 € m	12/31/2011 € m
Loans and advances	329	857
Deposits and amounts due	1,101	1,033
Loan commitments	133	204
Income	17	16
Expenses	67	49

Most of the volume is attributable to transactions with ING Direct Spain, Madrid, ING Direct Italy, Milan, ING Direct France, Paris, 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.

(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 included in the individual items of the statement of financial position.

	12/31/2012 Fair value € m	12/31/2012 Carrying amount € m
Financial assets	128,036	119,690
Held-to-maturity financial investments	0	0
Other held-to-maturity financial investments[1]	0	0
Held-to-maturity	0	0
Available-for-sale financial investments	25,630	25,630
of which equity investments	4	4
Other available-for-sale financial investments[1]	422	422
Available-for-sale	26,052	26,052
Other derivatives with positive fair value	213	213
Other derivative assets[1]	95	95
Fair value through profit or loss	308	308
Cash balance	113	113
Hedging derivatives	134	134
Adjustment to portfolio fair value hedges	0	2,904
Other derivative hedging assets[1]	54	54
Financial instruments not categorized under IAS 39	301	3,205
Balances with central banks	570	570
Loans and advances to banks	6,918	7,337
Loans and advances to customers	93,751	82,082
Other receivables from banks[1]	59	59
Other receivables from customers (ABS / MBS)[1]	77	77
Loans and receivables	101,375	90,125
Financial liabilities	115,890	112,885
Other derivatives with negative fair value	537	537
Other derivative liabilities[1]	144	144
Fair value through profit or loss	681	681
Hedging derivatives	3,389	3,389
Other hedging derivative liabilities[1]	436	436
Financial instruments not categorized under IAS 39	3,825	3,825
Securitized liabilities	1,269	1,195
Other securitized liabilities	16	16
Deposits from banks	9,165	8,632
Due to customers	100,928	98,530
Other liabilities to banks and customers[1]	6	6
Financial liabilities	111,384	108,379

	12/31/2011 Fair value € m	12/31/2011 Carrying amount € m
Financial assets	114,095	108,938
Held-to-maturity financial investments	5,645	5,643
Other held-to-maturity financial investments[1]	168	168
Held-to-maturity	5,813	5,811
Available-for-sale financial investments	16,559	16,559
of which equity investments	3	3
Other available-for-sale financial investments[1]	301	301
Available-for-sale	16,860	16,860
Other derivatives with positive fair value	84	84
Other derivative assets[1]	57	57
Fair value through profit or loss	141	141
Cash balance	78	78
Hedging derivatives	233	233
Adjustment to portfolio fair value hedges	0	2,366
Other derivative hedging assets[1]	105	105
Financial instruments not categorized under IAS 39	416	2,782
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
Loans and receivables	90,864	83,343
Financial liabilities	104,630	102,878
Other derivatives with negative fair value	97	97
Other derivative liabilities[1]	76	76
Fair value through profit or loss	173	173
Hedging derivatives	2,906	2,906
Other hedging derivative liabilities[1]	474	474
Financial instruments not categorized under IAS 39	3,380	3,380
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

(1) Relates to accrued interest disclosed separately under other assets or other liabilities

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

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.

If financial instruments are quoted on an active market, their exchange price is used to determine fair value.

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.

If the securities and loans against borrower's note 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 note 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.

ING-DiBa uses the overnight indexed swap (OIS) curve for discounting in the measurement of secured OTC derivatives.

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.

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).

	12/31/2012 Level 1 € m	12/31/2012 Level 2 € m	12/31/2012 Level 3 € m	12/31/2012 Total € m
Assets				
Other derivatives with positive fair value	0	213	0	213
Other derivative assets	0	95	0	95
Hedging derivatives	0	134	0	134
Other derivative hedging assets	0	54	0	54
AfS financial investments	19,655	5,975	0	25,630
Other AfS financial investments	372	50	0	422
Total	20,027	6,521	0	26,548
Equity and liabilities				
Other derivatives with negative fair value	0	537	0	537
Other derivative liabilities	0	144	0	144
Hedging derivatives	0	3,389	0	3,389
Other hedging derivative liabilities	0	436	0	436
Total	0	4,506	0	4,506

	12/31/2011 Level 1 € m	12/31/2011 Level 2 € m	12/31/2011 Level 3 € m	12/31/2011 Total € m
Assets				
Other derivatives with positive fair value	0	84	0	84
Other derivative assets	0	57	0	57
Hedging derivatives	0	233	0	233
Other derivative hedging assets	0	105	0	105
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	97	0	97
Other derivative liabilities	0	76	0	76
Hedging derivatives	0	2,906	0	2,906
Other hedging derivative liabilities	0	474	0	474
Total	0	3,553	0	3,553

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

In fiscal year 2012, changes in market conditions caused EUR 4,270 million (December 31, 2011: EUR 115 million) in available-for-sale financial investments to shift from fair value measurement level 2 to level 1. This resulted in EUR 85 million in accrued interest reported under other assets shifting from level 2 to level 1 (December 31, 2011: EUR 0 million).

There were no shifts in the fair value measurement from level 1 to level 2 in fiscal year 2012 (December 31, 2011: EUR 2,685 million). There were no shifts from level 1 to level 2 (December 31, 2011: EUR 75 million) with respect to accrued interest.

In addition, in fiscal year 2012, an amount of EUR 2,489 million was reclassified from the IFRS category “held-to-maturity” to “available-for-sale.” Of this amount, EUR 1,883 million was allocated to measurement hierarchy level 1 and EUR 606 million to level 2.

Notes to the consolidated income statement

(31) Net interest income

	2012 € m	2011 € m
Interest income		
Interest income from lending transactions	3,151	2,978
Total interest income from lending transactions	3,151	2,978
Interest income from available-for-sale securities	539	425
Interest income from held-to-maturity securities	107	256
Other interest income	– 821	– 680
Total interest income	2,976	2,979
Interest expenses		
Interest expenses on deposits from banks	– 225	– 204
Interest expenses on amounts due to customers	– 1,542	– 1,459
Interest expenses on securitized liabilities	– 25	– 7
Other interest expenses	– 2	– 6
Total interest expenses	– 1,794	– 1,676
Net interest income	1,182	1,303

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Interest income from the lending business with customers performed well despite persistently low interest rates.

Interest income from loans on which allowances have been recognized was below EUR 500 thousand, as in the previous year.

“Other interest income” includes net interest income from derivatives used in effective hedges. Since the hedging derivatives serve to hedge against interest 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.

Amortization of the fair value adjustments in relation to the hedged risk, which are included in the carrying amount of the hedged items, over the remaining term of the hedged items in fair value hedge relationships is also presented under net interest income, as are fair value changes related to pull-to-par effects of derivatives in effective fair value hedges.

Interest income and expense for derivatives which are not designated as fair value hedges or which are ineffective fair value hedges are presented together with the fair value changes under net gains / losses on measurement of derivatives and hedged items (note 33).

The increase in interest income from available-for-sale securities is attributable to the reclassification of the entire held-to-maturity portfolio as available-for-sale in June 2012. Interest income from held-to-maturity securities decreased correspondingly (see also note 5 “financial investments”).

ING-DiBa achieved another increase in the volume of customer deposits, which led to a significant rise in interest expenses on amounts due to customers.

Overall, net interest income decreased by EUR 121 million.

(32) Net commission income

	2012 € m	2011 € m
Commission income		
Payment transactions	35	32
Securities business	88	107
Other fees and commissions	27	7
Fee and commission income	150	146
Commission expense		
Payment transactions	30	25
Securities business	18	19
Other fees and commissions	57	61
Fee and commission expense	105	105
Net commission income	45	41

Net commission income in the payment transactions business relates primarily to income and expenses relating to account management and processing of ATMs.

Income and expenses from the securities business result primarily from customer brokerage services. The reduction in commission income from the securities business is attributable to a decrease in trading activity despite an increase in the number of securities accounts and higher securities account volume.

Fee and commission income includes mainly income from the Commercial Banking business of the ING Bank branch, which had only contributed to earnings for four months of the previous year.

(33) Net gains / losses on measurement of derivatives and hedged items

	2012 € m	2011 € m
Changes in fair value of		
derivatives in fair value hedges (excl. pull-to-par)	–1,508	–1,358
derivatives in cash flow hedges (ineffective portion)	–1	–1
other derivatives	0	–1
Changes in fair value, net	–1,509	–1,360
Changes in the fair values of the hedged items that relate to the hedged risk	1,531	1,354
Total	22	–6

Prior-year figures adjusted. Please refer to section j) under "Significant accounting policies" for further information.

The persistently high volume of fair value changes of derivatives and hedged items is attributable to the significant repeated drops in the yield curve to historical lows during the measurement period. The net gains / losses on derivatives that do not qualify for hedge accounting under IFRS amount to EUR 0 million in fiscal year 2012 (December 31, 2011: EUR –1 million).

For more information on hedge accounting, refer to note 23.

(34) Other net gains / losses on financial investments and investment property

	2012 € m	2011 € m
Rental income from investment property	1	1
Direct operating expenses from investment property which generates no rental income	– 1	0
Direct operating expenses from investment property which generates rental income	0	0
Changes in value of investment property	0	– 1
Net gain / loss on investment property	0	0
Impairments of available-for-sale financial investments	0	– 136
Net gain / loss on disposal of available-for-sale financial investments	– 12	– 21
Net gain / loss on available-for-sale financial investments	– 12	– 157
Net gain / loss on disposal of held-to-maturity financial investments	– 30	0
Net gain / loss from held-to-maturity financial investments	– 30	0
Net gains / losses on financial investments	– 42	– 157

The difference results primarily from a EUR 136 million impairment of the value of Greek bonds recognized in the previous year. Additionally, risky HtM financial investments were disposed of in fiscal year 2012. As a result, the entire held-to-maturity portfolio was reclassified as available-for-sale in June 2012 (please refer to section d) under “significant accounting policies” and the line item “financial investments” (note 5).

(35) Other income and expenses

	2012 € m	2011 € m
Net income / loss from receivables	– 20	135
Other income and expenses	5	2
Total	– 15	137

The difference was due primarily to a prepayment penalty of EUR 168 million collected in the previous year for the early termination of a long-term loan agreement with ING Bank in the Netherlands.

“Other” contains currency translation gains of EUR 1 million (previous year: EUR 0 million).

(36) Risk provision

Risk expenses can be broken down as follows:

	2012 Portfolio impairment allowance € m	2012 Specific impairment allowance including specific impairment allowances calculated on a portfolio basis € m	2012 Total € m
Additions to / reversals of risk provision	13	72	85
Direct write-downs	2	0	2
Receipts from loans written off	0	− 4	− 4
Other changes	0	0	0
Total	15	68	83

	2011 Portfolio impairment allowance € m	2011 Specific impairment allowance including specific impairment allowances calculated on a portfolio basis € m	2011 Total € 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

Risk provision related to loans and advances to banks

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

Risk provision related to loans and advances to customers

	2012 € m	2011 € m
Mortgage loans	58	70
Consumer loans	24	8
Corporate loans	0	−1
Public sector loans and other receivables	0	0
Asset-backed securities / mortgage-backed securities	1	0
Total	83	77

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) Personnel expenses

	2012 € m	2011 € m
Salaries	157	135
Bonuses	8	7
Expenses for pensions and other post-employment benefits	6	5
Social insurance contributions	32	29
Share-based payments	2	2
Expenses for external employees	16	17
Training and continuing education	4	3
Other personnel costs	5	5
Total	230	203

In fiscal year 2012 ING-DiBa once again created jobs. In addition to hiring new employees, the merger of the Commercial Banking business with the ING Bank branch in particular resulted in increased expenses, since these were only incurred on a pro rata basis for four months of the previous year.

ING-DiBa has opted to apply IAS 19 (rev. 2011) early. Please refer to section j) under "Significant accounting policies" for further information.

Average number of employees

	2012			2011		
	Total	Germany	Austria	Total	Germany	Austria
Average number of employees	2,765	2,636	129	2,601	2,482	119

Share-based payments

The programs from the perspective of the Group as a whole

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 settled by granting shares (equity-settled share-based payments); to a lesser extent, they 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 (2011: EUR 2 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 were discontinued in fiscal year 2011. The previous forms of compensation will gradually expire on schedule. The share-based payments programs were unchanged between 2011 and 2012.

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 for 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.

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 a certain 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 2012 fiscal year, the following parameters were included: risk-free interest rate in a range of 2.0 to 4.6 percent (2011: from 2.0 to 4.6 percent), expected holding period of the options of 5.0 to 9.0 years (2011: from 5.0 to 9.0 years), the strike prices, the current market price of the share between EUR 2.90 and EUR 26.05 (2011: between EUR 2.90 and EUR 26.05), the expected volatility of the shares of ING Groep N.V., Amsterdam, of between 25 and 84 percent (2011: between 25 and 84 percent), and the expected dividends at 0.94 to 8.99 percent (2011: 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 3.26 (2011: EUR 2.65).

The assumptions regarding volatility came from the ING trading systems and are therefore not based on historical, but rather current market data.

Outstanding options – 2012

	2012 Outstanding options Number	2012 Weighted strike price €
Outstanding options as of Jan. 1	1,249,078	13.00
Additions due to merger	0	0.00
Options granted during the reporting period	0	0.00
Net additions and disposals – new and departing Group employees	0	0.00
Exercised during the reporting period	14,734	3.77
Forfeited during the reporting period	97,052	12.58
Lapsed after expiration of exercise period	42,781	21.88
Outstanding options as of Dec. 31	1,094,511	12.82
Exercisable options as of Dec. 31	839,040	14.57

Outstanding options – 2011

	2011 Outstanding options Number	2011 Weighted strike price €
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

The as yet unrecognized expenses for amounts to be distributed at the Group level totaled EUR 3 million as of December 31, 2012 (December 31, 2011: EUR 24 million). The average allocation period in the fiscal year just ended was 0.2 years (2011: 1.1 years). The amount of cash collected throughout the Group from the exercise of options in 2012 was EUR 8 million (2011: EUR 4 million).

Outstanding options – 2012

Range of strike prices € per share	12/31/2012 Outstanding options Number	12/31/2012 Weighted avg. remaining term of the agreement Years	12/31/2012 Weighted avg. strike price €	12/31/2012 Options exercisable Number	12/31/2012 Weighted avg. remaining term of the agreement Years	12/31/2012 Weighted avg. strike price €
0.00 – 15.00	585,629	6.12	6.83	330,158	5.28	6.44
15.01 – 20.00	309,481	4.13	17.10	309,481	4.13	17.10
20.01 – 25.00	103,813	4.22	24.72	103,813	4.22	24.72
25.01 – 30.00	95,588	3.23	25.16	95,588	3.23	25.16
30.01 – 35.00	0	0.00	0.00	0	0.00	0.00
35.01 – 40.00	0	0.00	0.00	0	0.00	0.00
	1,094,511	5.12	13.04	839,040	4.49	14.77

Outstanding options – 2011

Range of strike prices € per share	12/31/2011 Outstanding options Number	12/31/2011 Weighted avg. remaining term of the agreement Years	12/31/2011 Weighted avg. strike price €	12/31/2011 Options exercisable Number	12/31/2011 Weighted avg. remaining term of the agreement Years	12/31/2011 Weighted avg. strike 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	0.00	0.00	0	0.00	0.00
35.01 – 40.00	0	0.00	0.00	0	0.00	0.00
	1,249,078	5.97	13.18	756,996	4.79	17.97

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 Group, 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 2012 are published. One third of the resulting number is allocated in 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, 2012 was 49,416,632 shares (December 31, 2011: 48,022,886 shares). The weighted average fair value was EUR 7.78 (2011: EUR 7.90).

The ING-DiBa Group held out a prospective total of 244,799 free shares to its executives during fiscal year 2012 (2011: 310,159).

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 Group as a whole, the previously unallocated expenses from free shares were EUR 102 million as of December 31, 2012 (December 31, 2011: EUR 149 million). The 1.2-year allocation period expected during the 2012 fiscal year exceeds the previous year's value (2011: 1.5 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, 2012, which is published online at www.ing.com.

(38) Other administrative expenses

	2012 € m	2011 € m
IT	59	55
Telecommunications, office and operating expenses	55	50
Marketing and public relations	88	107
Travel expenses and corporate hospitality expenses	6	5
Legal and consulting expenses	20	18
Deposit protection	61	56
Shipping costs	14	14
Depreciation of buildings and office equipment	16	12
Amortization of software	15	13
Other administrative costs	59	48
Total	393	378

Other administrative expenses did not include any write-downs in the fiscal year. The increase in other administrative expenses was due primarily to expenses from the "Commercial Banking" business, which had only been included in four months of the previous year on a pro-rata basis.

Auditors’ fees

	2012 € m	2011 € m
Audit services	1.6	1.6
Audit-related services	0.3	0.3
Tax services	0.0	0.0
Other services	0.0	0.2
Total	1.9	2.1

Auditors’ fees are a component of the legal and consulting expenses.

(39) Disclosures relating to income tax expenses

	2012 € m	2011 € m
Actual income tax expense	177	240
of which: adjustments for income taxes related to other accounting periods	1	0
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	8	0
Deferred tax expense	–16	–29
of which: adjustments for deferred taxes related to other accounting periods	2	0
from temporary differences	–16	–29
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	5
Total	161	211

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 tax assets and liabilities are presented for the 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

	2012 € m	2011 € m
Profit before tax	486	660
Applicable tax rate in %	31.1	31.0
Expected income tax expense	151	205
Tax-free income	−1	−5
Non-tax deductible expenses	1	12
Effects of tax rate changes on deferred taxes	0	0
Effects of as yet unrecognized amounts on deferred taxes	1	0
Effects of as yet unrecognized amounts on current income taxes	8	0
Write-down or reversal of a write-down of deferred tax assets due to IAS 12.56	0	0
Other tax effects	1	−1
Effective income tax expenses	161	211
Effective tax rate in %	33.2	32.0

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.

Segment report

(40) 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 full 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 “Extra-Konto” 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.

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.

Measurement of segment profit or loss

The information as presented in this note corresponds to the segment information as provided to the full 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 relates to the following aspects in particular:

Management reporting follows the method used by ING Groep N.V. In order to render 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 equaling the risk-free euro interest rate on the economic capital. This item is reported separately as “income on allocated equity”, “other income” comprises the following line items from the income statement: “net gains/losses on measurement of derivatives and hedged items”, “other net gains/losses on financial investments and investment property” and “other income and expenses”. This presentation mirrors that at the ING Group.

A portion of the Group overhead, which is not influenced by the business unit, is credited to administrative expenses. The “administrative expenses” presented in the management reporting include amortization, depreciation and write-downs, and personnel expenses.

Segment results

2012	Retail Customer Loans € m	Retail Customer Assets € m	Commercial Banking € m	MA total € m	Reconciliation € m	IFRS € m
Net interest income	569	506	48	1,123	59	1,182
Net commission income	– 60	66	23	29	16	45
Other income	0	– 32	5	– 27	– 8	– 35
Income on allocated equity	33	27	5	65	– 65	0
MA income	542	567	81	1,190	2	1,192
Risk provision	– 77	– 6	0	– 83	0	– 83
Administrative expenses	– 160	– 413	– 36	– 609	– 14	– 623
of which amortization, depreciation and write-downs	– 9	– 21	0	– 30	0	– 30
Pre-tax MA result	305	148	45	498	– 12	486

2011	Retail Customer Loans € m	Retail Customer Assets € m	Commercial Banking € m	MA total € m	Reconciliation € m	IFRS € m
Net interest income	469	717	33	1,220	83	1,303
Net commission income	– 52	88	23	59	– 18	41
Other income	0	– 169	26	– 143	117	– 26
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
Administrative expenses	– 143	– 417	– 28	– 588	7	– 581
of which amortization, depreciation and write-downs	– 5	– 21	– 1	– 27	1	– 26
Pre-tax MA result	229	246	66	541	119	660

Prior-year figures adjusted. Please refer to section j) under “Significant accounting policies” for further information.

Information on geographical areas

ING-DiBa generated total income of EUR 1,192 million (2011: EUR 1,318 million) during the 2012 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 −105 million (2011: EUR −100 million). ING-DiBa generated total net interest income of EUR 1,182 million (2011: EUR 1,303 million) during the 2012 fiscal year. Of that amount, EUR −105 million from external customers was attributable to ING-DiBa Direktbank Austria (2011: EUR −100 million). ING-DiBa Direktbank Austria's net commission income from external customers during both the 2012 and 2011 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, 2012 and December 31, 2011. 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

2012	Retail Customer Loans € billion	Retail Customer Assets € billion	Commercial Banking € billion	MA total € billion	Reconciliation € billion	IFRS € billion
Business volume	64	115	8	187	−23	164

2011	Retail Customer Loans € billion	Retail Customer Assets € billion	Commercial Banking € billion	MA total € billion	Reconciliation € billion	IFRS € billion
Business volume	60	104	7	170	−20	150

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 is eliminated.

Notes to the consolidated cash flow statement

(41) 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 thus adjusted for non-cash changes in the balance. Inflows and outflows in relation to changes in the balances of “financial investments”, “property and equipment” and “intangible assets” are reported as net cash flows from investing activities. Net cash flows from financing activities represent ING-DiBa’s external financing and consist primarily of cash flows from the issue of securitized liabilities and profit transfers.

Cash and cash equivalents comprise cash and funds that can readily be converted to cash and are subject to an insignificant risk of changes in value. This includes cash balances and balances with central banks, receivables payable on demand and deposits from banks.

Reconciliation to the statement of financial position items

	12/31/2012 € m	12/31/2011 € m
Cash reserve	683	2,783
Cash reserve	683	2,783

	12/31/2012 € m	12/31/2011 € m
Loans and advances to banks included in cash and cash equivalents	4,122	3,260
Loans and advances to banks not included in cash and cash equivalents	3,215	2,531
Loans and advances to banks	7,337	5,791

	12/31/2012 € m	12/31/2011 € m
Deposits from banks included in cash and cash equivalents	307	167
Deposits from banks not included in cash and cash equivalents	8,325	7,788
Deposits from banks	8,632	7,955

The legal reserve requirement as of the end of the reporting period was EUR 900 million (December 31, 2011: EUR 828 million). These funds are part of the accounting cash reserve (note 1).

Legal minimum reserve and additional unavailable financial instruments within the statement of financial position item

	12/31/2012 € m	12/31/2011 € m
Cash reserve	108	1,676
Financial investments	0	0
Loans and advances to customers	6,298	6,300
Loans and advances to banks	3,956	3,030
Other assets	0	0
Total	10,362	11,006

Capital Management

(42) 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 2012 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

	12/31/2012 € m	12/31/2011 € m
Paid-in capital	100	100
Reserve	3,821	3,821
Other regulatory adjustments	1,135	771
Liable equity	5,056	4,692

As of the end of the reporting period (December 31, 2012), eligible equity amounted to EUR 4,936 million (December 31, 2011: EUR 4,484 million).

Tier 1 capital ratio of the ING-DiBa AG Group

	12/31/2012 Percent	12/31/2011 Percent
Tier 1 ratio	15.9	16.9
Regulatory requirement – Tier 1 ratio	4.0	4.0
Goal for Tier 1 ratio	10.0	10.0

As of the end of the reporting period (December 31, 2012), risk-weighted assets amounted to EUR 26,038 million (December 31, 2011: EUR 22,075 million).

BIS ratios of the ING-DiBa AG Group

	12/31/2012 Percent	12/31/2011 Percent
Regulatory requirement – BIS ratio	8.0	8.0
BIS ratio after floor *	9.5	9.5

* 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 18, 2013

The Management Board

Roland Boekhout	Bas Brouwers	Bernd Geilen
Katharina Herrmann	Martin Krebs	Herbert Willius

Translation from the German language.

Auditor's 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, 2012. 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 IFRS 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 22, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Binder	Reinert
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Supervisory Board report

In fiscal year 2012, the Supervisory Board comprehensively and with the utmost 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 five 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 to the actions of the Company's management for the 2012 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 and further integrating the corporate customer business into the governance structure of the Bank; updating the Management Board's remuneration system on account of revised provisions pursuant to the German Regulation Governing Remuneration at Institutions (Instituts-Vergütungsverordnung) and imposing a ceiling of 100 percent on the variable remuneration of Management Board members; the effects of the ongoing global financial and euro crisis on the Bank, including the management approaches in the Bank's investment portfolio; and 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 maintaining the Bank's position as one of the market's leading mortgage loan providers, the expansion of the consumer loans and current accounts businesses, and remaining the market leader in the securities business as well as for call deposit and fixed-term deposit accounts.

Committees:

The Supervisory Board has three committees. The committees are responsible for 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 defining key audit areas. 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 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 implementing the German Regulation Governing Remuneration at Institutions.

The Credit Committee made all its resolutions primarily affecting the approval of loans to executives and corporate customers by way of circulation. In-person meetings did not take place.

2012 annual financial statements:

As the auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Eschborn, Germany, audited the 2012 HGB annual financial statements and management report and the 2012 IFRS subgroup consolidated financial statements and management report (prepared by the Management Board) together with the bookkeeping system, 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.

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 2012 fiscal year, which are thereby adopted.

Personnel changes in the Supervisory Board and Management Board:

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.

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 2012.

Frankfurt am Main, May 14, 2013

The Supervisory Board

Ben Tellings
Chairman of the Supervisory Board of ING-DiBa AG

The history of ING-DiBa

1965	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
2009	ING-DiBa donations to “We care” organization total more than EUR 1.5 million since 2005
2010	ING-DiBa launches finanzversteher.de, a portal that makes finance accessible so that anyone can take care 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
2012	ING-DiBa’s revamped website sets new standards of simplicity and transparency ING-DiBa records a net gain of 317,000 new customers, the highest increase in five years

JANUARY

Dirk Nowitzki eating a slice of bologna in a commercial unleashes a social storm on ING-DiBa's Facebook page. Der Spiegel refers to ING-DiBa's approach as a "prime example" of successful PR crisis management.

FEBRUARY

For its high level of competence, friendliness, and short response times, ING-DiBa's Customer Dialog wins the German Service Award 2012 from the German Institute for Service Quality.

MARCH

ING-DiBa is again named one of Germany's top employers.

APRIL

Many-time winner ING-DiBa does it again and is named best online broker of 2012.

MAY

More proof of high levels of customer satisfaction: ING-DiBa is named Germany's most popular bank for the sixth straight year.

JUNE

The sustainability ranking of Wirtschaftswoche and Serviceplan rates ING-DiBa as the best bank.

JULY

"BasKIDball," a social project sponsored by ING-DiBa receives an award from "Land of Ideas," an initiative of the German government and industry.

AUGUST

The national women's wheelchair basketball team, which is sponsored by ING-DiBa, wins gold in London – congratulations!

SEPTEMBER

ING-DiBa's revamped website sets new standards of simplicity and transparency.

OCTOBER

As part of its "Give five!" volunteer program, ING-DiBa gives all 250 participating employees leave so they can work for non-profit organizations for a day.

NOVEMBER

DiBaDu und Dein Verein

Through "DiBaDu und Dein Verein", ING-DiBa supports the German social and sports club environment for the second time in 2012 by donating a total of EUR 1 million.

DECEMBER

Trade union ver.di commends ING-DiBa for its forward-looking collective bargaining agreement, which will set the future benchmark for the banking sector.

Editorial information

Publisher: ING-DiBa AG, Theodor-Heuss-Allee 2, 60486 Frankfurt am Main, Germany

Customer relations: ING-DiBa Customer Dialog, tel. +49 69 – 50 50 90 69, info@ing-diba.de, www.ing-diba.de

Media relations: Dr. Ulrich Ott, ING-DiBa, Head of Corporate Communications, tel. +49 69 – 27 222 66233, u.ott@ing-diba.de, www.ing-diba.de/presse

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Die Bank und Du

ING-DiBa AG
Theodor-Heuss-Allee 2
60486 Frankfurt am Main
Tel. 069 – 50 50 90 69
www.ing-diba.de