Dated 9 May 2014

# ING GROEP N.V.

REGISTRATION DOCUMENT

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# INTRODUCTION

This document constitutes a registration document ("Registration Document") for the purposes of Article 5 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant member state ("Member State") of the European Economic Area (the "EEA"), (the "Prospectus Directive") and has been prepared for the purpose of giving information with respect to ING Groep N.V. (the "Issuer") which, according to the particular nature of the Issuer and the securities which it may offer to the public within a Member State of the EEA or apply to have admitted to trading on a regulated market situated or operating within such a Member State, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Registration Document. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Registration Document was approved by the Netherlands Authority for the Financial Markets (the "AFM") for the purposes of the Prospectus Directive on 9 May 2014.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

This Registration Document should not be considered as a recommendation by the Issuer that any recipient of this Registration Document should purchase any securities of the Issuer. Each investor contemplating purchasing any securities of the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Registration Document does not constitute an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any securities of the Issuer.

The delivery of this Registration Document shall not in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should carefully review and evaluate, *inter alia*, the most recent financial disclosure of the Issuer from time to time incorporated by reference herein when deciding whether or not to purchase any securities of the Issuer.

The distribution of this Registration Document and the offer or sale of any securities of the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any securities of the Issuer come must inform themselves about, and observe, any such restrictions.

Any securities to be issued by the Issuer in connection with this Registration Document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States ("U.S."). Accordingly, any such securities may not be offered, sold, pledged or otherwise transferred within the U.S. or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and any applicable state securities laws.

Any securities to be issued by the Issuer in connection with this Registration Document have not been approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), any state securities commission in the U.S. or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of any such securities or the accuracy or the adequacy of this Registration Document. Any representation to the contrary is a criminal offence in the U.S.

**TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

This Registration Document includes or incorporates by reference "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact included or incorporated by reference in this Registration Document, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as of the date of this Registration Document or as of such earlier date at which such statements are expressed to be given. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Registration Document and have been approved by the AFM or filed with it, shall be deemed to be incorporated in, and to form part of, this Registration Document; this Registration Document should be read and construed in conjunction with such documents:

(a) the Articles of Association (*statuten*) of the Issuer;

(b) the publicly available annual reports of the Issuer in respect of the years ended 31 December 2012 and 2013, including the audited consolidated financial statements and auditors' reports in respect of such years;

(c) the ING Group quarterly report for the first quarter of 2014, as published by the Issuer on 7 May 2014 (the "Q1 Report"). The Q1 Report contains, among other things, the consolidated unaudited interim results of the Issuer as at, and for the three-month period ended, 31 March 2014; and

(d) the ING Group Condensed Consolidated Interim Financial Information for the period ended 31 March 2014, as published by the Issuer on 7 May 2014 (the "Q1 Condensed Consolidated Interim Financial Information"). The Q1 Condensed Consolidated Interim Financial Information contains, among other things, condensed consolidated unaudited interim financial information relating to the consolidated unaudited interim results of the Issuer as at, and for the three-month period ended, 31 March 2014.

Any statement contained in a document which is deemed to be incorporated by reference into this Registration Document shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Any information or other documents themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Registration Document shall not form part of this Registration Document, except where such information or other documents are specifically incorporated by reference into this Registration Document.

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered in accordance with applicable law, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents should be directed to the Issuer, c/o ING Bank N.V. at Foppingadreef 7, 1102 BD Amsterdam, The Netherlands. In addition, this Registration Document and any document which is incorporated herein by reference will be made available on the website of ING (www.ing.com/Investor-relations/Fixed-income-information.htm).

# RISK FACTORS

Set out below are certain risk factors which could affect the future financial performance of the Issuer and its subsidiaries ("ING" or the "Group") and thereby potentially affect the Issuer's ability to fulfil its obligations in respect of securities issued or guaranteed by it. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties ING's businesses face. The Issuer has described only those risks relating to its operations of which it is aware and that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware and any of these risks could have the effects set forth above. Investors should note that they bear the Issuer's solvency risk. The term Issuer, for the purpose of this section (but not others), also refers, where the context so permits, to any group company of the Issuer.

## RISKS RELATED TO FINANCIAL CONDITIONS, MARKET ENVIRONMENT AND GENERAL ECONOMIC TRENDS

***Because the Issuer is a financial services company conducting business on a global basis, its revenues and earnings are affected by the volatility and strength of the economic, business and capital markets environments specific to the geographic regions in which it conducts business. The on-going turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability and solvency of the Issuer's insurance, banking and asset management business.***

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

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

- changes in the treatment of deferred acquisition costs ("DAC");
- reserve inadequacies, which could ultimately be realised through profit and loss and shareholders' equity;
- the write-down of tax assets impacting net results and/or equity;
- impairment expenses related to goodwill and other intangible assets, impacting net result;
- movements in risk-weighted assets for the determination of required capital;
- changes in credit valuation adjustments and debt valuation adjustments; and/or
- additional costs related to maintenance of higher liquidity buffers.

Shareholders' equity and the Issuer's net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies may have a material adverse impact on shareholders' equity and net result in future periods, including as a result of the potential consequences listed above. See "Continued risk of resurgence of turbulence and on-going volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer and its business, financial condition and results of operations" below.

***Adverse capital and credit market conditions may impact the Issuer's ability to access liquidity and capital, as well as the cost of liquidity, credit and capital.***

The capital and credit markets have continued to experience substantial volatility and disruption over the past few years, after having reached unprecedented levels in the second half of 2008 through most of 2010. Adverse capital and credit market conditions may affect the availability and cost of borrowed funds, thereby impacting the Issuer's ability to support and/or grow its businesses.

The Issuer needs liquidity to pay its operating expenses, insurance claims and interest on its debt and dividends on its capital stock, maintain its securities lending activities, and replace certain maturing liabilities. Without sufficient liquidity, the Issuer will be forced to curtail its operations and its business will suffer. The principal sources of the Issuer's funding are deposit funds, insurance premiums, annuity considerations, cash flow from its investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of funding in normal markets may also include a variety of short- and long-term instruments, including repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, capital securities and shareholders' equity.

In the event that the Issuer's current resources do not satisfy its needs, the Issuer may need to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Issuer's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of its long- or short-term financial prospects. Similarly, the Issuer's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If the Issuer's internal sources of liquidity prove to be insufficient, there is a risk that it may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions the Issuer might take to access financing may, in turn, cause rating agencies to re-evaluate its ratings.

Disruptions, uncertainty or volatility in the capital and credit markets, including in relation to any recurrence of the European sovereign debt crisis, may also limit the Issuer's access to capital. Such market conditions may limit the Issuer's ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital and rating agency capital requirements, which in turn could force the Issuer to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on its shares, (iii) reduce, cancel or postpone interest payments on other securities, (iv) issue capital of different types or under different terms than the Issuer would otherwise, or (v) incur a higher cost of capital than in a more stable market environment. Any of the foregoing would have the potential to decrease both the Issuer's profitability and its financial flexibility. The Issuer's results of operations, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

Since 2008, governments around the world, including the Dutch government, have implemented unprecedented measures to provide assistance to financial institutions, in certain cases requiring (indirect) influence on or changes to governance and remuneration practices. In certain cases, governments nationalised companies or parts thereof. The measures adopted in The Netherlands included both emergency funding and capital reinforcement, and a Dutch Credit Guarantee Scheme. The liquidity and capital reinforcement measures expired on 10 October 2009, and the Credit Guarantee Scheme of The Netherlands expired on 31 December 2010. The Issuer's participation in certain of these measures has resulted in certain material restrictions on it, including those required by the European Commission ("EC") as part of the Issuer's Restructuring Plan (see "Risks Related to the Restructuring Plan – The implementation of the Restructuring Plan and the divestments anticipated in connection with the Restructuring Plan have and will significantly alter the size and structure of the Issuer and involve significant costs and uncertainties that could materially impact the Issuer"). The Restructuring Plan, as well as any potential future transactions with the Dutch State or any other government, if any, or actions by such government regarding the Issuer could adversely impact the position or rights of the Issuer's shareholders, bondholders, customers or creditors and the Issuer's results, operations, solvency, liquidity and governance.

The Issuer is subject to the jurisdiction of a variety of banking and insurance regulatory bodies, most of whom have proposed regulatory changes in recent years that would hinder its ability to manage its liquidity in a centralised manner. Furthermore, regulatory liquidity requirements in certain jurisdictions in which the Issuer operates are generally becoming more stringent, including those forming part of the "Basel III" requirements discussed further below under "The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing its business may reduce its profitability", undermining the Issuer's efforts to maintain centralised management of its liquidity. These developments may cause trapped pools of liquidity, resulting in inefficiencies in the cost of managing the Issuer's liquidity, and hinder its efforts to integrate its balance sheet, which is an essential element of ING's Restructuring Plan.

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

Within the financial services industry, the severe distress or default of any one institution (including sovereigns) could lead to defaults by, or the severe distress of, other market participants. Such distress of, or default by, an influential financial institution could disrupt securities markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a sovereign or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis and financial instruments of sovereigns in which the Issuer invests. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on the Issuer's business, financial condition, results of operations, liquidity and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

***The Issuer may incur losses as a result of unforeseen and/or catastrophic events, which are inherently unpredictable, and the actual claim amount in the Issuer's life and non-life insurance and reinsurance businesses may exceed its established reserves or the Issuer may experience an abrupt interruption of activities, each of which could result in lower net result and have an adverse effect on its financial condition and results of operations.***

In its life and non-life insurance and reinsurance businesses, the Issuer is subject to losses from natural and man-made catastrophic events. Such events include, without limitation, weather and other natural catastrophes such as hurricanes, floods, earthquakes and epidemics that may be more severe or difficult to predict as a result of variable climate conditions, as well as events such as man-made disasters and core infrastructure failures such as acts of terrorism, military actions, power grid and telephone/Internet infrastructure failures and political and social unrest. The frequency and severity of such events, and the losses associated with them, are inherently unpredictable and cannot always be adequately reserved for. The occurrence of such events could create economic and financial disruptions and lead to operational difficulties that could impair the Issuer's ability to manage its business and may adversely affect its assets under management ("AUM"), results of operations and financial condition. Claims resulting from catastrophic events could also materially harm the financial condition of the Issuer's reinsurers, which would increase the probability of default on reinsurance recoveries. The Issuer's ability to write new business could also be adversely affected.

In addition, the Issuer is subject to actuarial and underwriting risks such as mortality, longevity, morbidity, and adverse claims development which result from the pricing and acceptance of insurance contracts. In accordance with industry practices, modelling of natural catastrophes is performed and risk mitigation measures are taken. In case claims occur, reserves are established based on estimates using actuarial projection techniques. The process of estimating is based on information available at the time the reserves are originally established and includes updates when more information becomes available. Although the Issuer continually reviews the adequacy of the established claim reserves, there can be no assurance that its actual claim amount will not exceed its estimated claim reserves. If actual claim amounts exceed the estimated claim reserves, the Issuer's earnings may be reduced and its financial condition and net result may be adversely affected.

There can be no assurance that the Issuer's business continuation and crisis management plan or insurance coverage would be effective in mitigating any negative effects on operations or profitability in the event of a disaster, nor can the Issuer provide assurance that the business continuation and crisis management plans of the independent distributors and outside vendors on whom it relies for certain services and products would be effective in mitigating any negative effects on the provision of such services and products in the event of a disaster.

***The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing its business may reduce its profitability.***

The Issuer is subject to detailed banking, insurance, asset management and other financial services laws and government regulation in the jurisdictions in which it conducts business. Regulatory agencies have broad administrative power over many aspects of its business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, record keeping, product and sale suitability, marketing and sales practices remuneration policies, and the Issuer's own internal governance practices. Also, bank regulators and other supervisory authorities in the European Union ("EU"), the U.S. and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures.

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

Furthermore, the Issuer is subject to different tax regulations in each of the jurisdictions where it conducts business. Changes in tax laws could increase the Issuer's taxes and its effective tax rates. Legislative changes could materially impact its tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on its business, results of operations and financial condition. One such change relates to the current debate in the U.S. over corporate tax reform for multinational corporations and corporate tax rates. Changes in tax laws could also make certain ING products less attractive, which could have adverse consequences for the Issuer's businesses and results.

In addition, the International Accounting Standards Board ("IASB") has issued and proposed certain amendments to several International Financial Reporting Standards ("IFRS") standards during the course of 2012 and 2013, which changes include a package of amendments to the accounting requirements for financial instruments announced in November 2013. These amendments introduced a new hedge accounting model addressing the so-called "own credit" issue that was already included in IFRS 9 Financial Instruments. IFRS 9 would then replace IAS 39, the accounting standard heavily criticised in the wake of the financial crisis. Such changes could also have a material impact on the Issuer's reported results and financial condition, as well as on how it manages its business, internal controls and disclosure.

Compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations may materially increase the cost of compliance and other expenses of doing business. The Issuer expects the scope and extent of regulation in the jurisdictions in which it conducts its business, as well as regulatory oversight and supervision, to generally continue to increase. However, the Issuer cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on its business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the Issuer's operations are increasingly coming under the scrutiny of regulators, and affected companies, including ING, are required to meet the demands, which often necessitate additional resources. These regulations can limit the Issuer's activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on businesses in which it can operate or invest.

Despite the Issuer's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, there are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or are under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in the Issuer's failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against the Issuer, which could result, among other things, in suspension or revocation of the Issuer's licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm its results of operations and financial condition. If the Issuer fails to address, or appears to fail to address, any of these matters appropriately, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against it or subject it to enforcement actions, fines and penalties.

*Basel III and CRD IV*

In December 2010, the Basel Committee on Banking Supervision ("Basel Committee") announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The Basel Committee's package of reforms, collectively referred to as the "Basel III" rules, have, among other requirements, increased the amount of common equity required to be held by subject banking institutions, will prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment, and will limit leverage. Banks will be required to hold a "capital conservation buffer" to withstand future periods of stress such that the total Tier 1 common equity ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduced a "countercyclical buffer" as an extension of the capital conservation buffer, which would allow national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital such that it will have the effect of disqualifying many hybrid securities, including those issued by the Issuer, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and the Financial Stability Board ("FSB") published measures in October 2011 that will have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, "systemically important financial institutions" ("SIFIs") and so-called "Global" SIFIs ("G-SIFIs"), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures began in 2012, and full implementation is targeted for 2019. The Issuer was designated by the Basel Committee and the FSB as one of the global systemically important banks ("G-SIBs"), forming part of the G-SIFIs, in 2011, 2012 and 2013, and by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "DNB") and the Dutch Ministry of Finance as a domestic SIFI in November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which the Issuer participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment revisions have been made to the original Basel III proposals such as the revised Liquidity Coverage Ratio in January 2013 and the revised Net Stable Funding Ratio and Leverage Ratio in January 2014. It remains to be seen whether further amendments to the 2010 framework and standards will be made by the Basel Committee in the coming years.

For European banks, the Basel III requirements are being implemented through the so-called Capital Requirements Regulation ("CRD IV Regulation") and Capital Requirements Directive IV ("CRD IV Directive" and together with the CRD IV Regulation, "CRD IV"), which were adopted by the EC in June 2013 following approval by the European Parliament in April 2013. The CRD IV Regulation entered into force on 28 June 2013 and the CRD IV Directive on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to "internationally active banks") are required to apply the new rules from 1 January 2014 in phases, with full implementation by 1 January 2019. While the full impact of these rules, and any additional requirements for SIFIs or G-SIFIs if and as applicable to the Issuer, will depend on how the CRD IV Directive will be transposed into national laws in each Member State, including the extent to which national regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial environment at the time of implementation and beyond, the Issuer expects these rules to have a material impact on ING's operations and financial condition and they will require the Issuer to hold additional capital which may require the Issuer to seek additional capital.

*Solvency II*

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

The final text of the Level 1 Framework Directive includes rules regarding, among other things, own funds, capital requirements, investments and group supervision. Following adoption of this Level 1 Framework Directive, the EC and European Insurance and Occupational Pensions Authority ("EIOPA"), formerly CEIOPS, have initiated the development of detailed rules following the Lamfalussy process. Under this process, Directives related to financial institutions are developed on the basis of a four level approach intended to complement the principles of the Level 1 Framework Directive. Level 2 measures will be issued by the EC (delegated acts and/or implementing technical standards proposed by EIOPA) and Level 3 guidance will be issued by EIOPA.

Solvency II, if implemented, will effect a full revision of the insurance industry's solvency framework and prudential regime and will impose group-level supervision mechanisms. On 14 November 2013, the EC announced that an agreement had been reached between the EP, the EC and the European Council on the "Omnibus II Directive", which, once adopted, will amend certain aspects of the original Solvency II Directive. Notably, the proposal for the Omnibus II Directive contains important provisions that would allow the insurance industry to continue offering long-term guaranteed products (typically life insurance policies being paid out in a lump sum when the policyholder reaches a certain age or in the form of annuities) and ensure that insurance companies in general and life assurance companies in particular can match these long-term liabilities with investments in long-term assets, such as infrastructure projects. The European Parliament and the EC further agreed that the new rules of Solvency II (including the amendments introduced by the Omnibus II Directive) should apply as of 1 January 2016. In addition, the EC is continuing to develop the detailed rules that will complement the high-level principles of the

Solvency II Directive, referred to as "implementing measures". The implementing measures are not currently expected to be finalised until the Omnibus II Directive has entered into force. There continues to be uncertainty regarding the timeline and final outcome of this process and the Issuer is unable to predict precisely how the regulations resulting from such initiatives and proposals could affect the insurance industry generally or the Issuer's results of operations, financial condition and liquidity in particular. Significant efforts towards establishing a more cohesive and streamlined European supervisory framework, including the establishment of the European Systemic Risk Board and the EIOPA, may also affect ING's operations.

*Theoretical Solvency Criterion regulation in The Netherlands (also known as Solvency 1.5)*

In anticipation of the more risk-based approach under Solvency II, the Dutch legislator has, *inter alia*, subjected Dutch life insurance companies to the Theoretical Solvency Criterion ("TSC") (also known as "Solvency 1.5"), which reflects a minimum solvency margin required in certain stress scenarios. The TSC is calculated on an annual basis, and the scenario analysis is based on specific risks, including interest rate risk, equity risk, spread risk, property risk, longevity risk and mortality risk. The TSC applies to the life insurance business of NN Group N.V. and its subsidiaries ("NN Group") in The Netherlands. If the solvency position of the relevant NN Group life insurance entity is below the TSC, the DNB is entitled to require that a declaration of no objection be obtained from the DNB before making any distributions of capital (including dividends) and reserves to the Issuer. In determining whether to give that approval, the DNB must be satisfied that the life insurance company will have sufficient available regulatory capital for at least the following 12 months. Available regulatory capital is determined on a market-based basis under the Dutch Financial Supervision Act and is therefore subject to fluctuations. There is a risk that the entities that conduct NN Group's life insurance business may not meet the JSC and that the DNB may not permit those entities to distribute dividends or reserves to the Issuer. This could affect the Issuer's ability to meet its obligations to its creditors. In addition, the TSC may make it more difficult for NN Group to attract capital than those of its peers that are not subject to such similar requirements under their local laws. The DNB has used, and may use, its discretionary powers to give instructions on the application of the Issuer's funds to strengthen the capital position of its Dutch regulated subsidiaries to levels above minimum regulatory capital requirements, which has affected, and will affect, the ability of the Issuer to meet its obligations to its creditors. The TSC is also relatively new legislation and there is uncertainty as to how it will be interpreted and implemented by the DNB, with the risk that the DNB interprets and implements the requirements in a manner that is more onerous for NN Group than it currently anticipates.

*EU Insurance Guarantee Scheme*

In July 2010, the European Council released a white paper detailing the need to establish minimum levels of protection for consumers of life and non-life insurance products in the event that insurance companies in the EC with which they do business were to become insolvent. Though the mechanisms for providing any such protections remain under review by the EC, the European Parliament and the Member States, the EC may currently be considering providing this protection by (i) mandating the creation of (or harmonisation of existing) national level insurance guarantee schemes and/or (ii) implementing an EU-wide insurance guarantee scheme, which scheme(s) may require significant prefunding by insurance companies. As of 31 December 2013, no legislative proposal has been made at the EU level. However, the implementation of an insurance guarantee scheme requiring significant levels of prefunding (or, in the event that prefunding is not required, the occurrence of circumstances requiring the commencement of event-driven contributions) may have a material adverse impact on the liquidity, financial condition and operations of companies engaged in the insurance business, including ING.

*Single Supervisory Mechanism*

In October 2013, the EC adopted a single supervisory mechanism ("SSM"), to be composed of national competent authorities and the European Central Bank ("ECB"), as part of the prospective EU banking union. In the SSM, a significant part of the prudential regulatory powers will be transferred from national authorities of the participating Member States to the ECB and the ECB will assume direct responsibility for a significant part of the prudential supervision of ING Bank and its holding company, the Issuer. On 23 October 2013, the ECB announced details of a comprehensive assessment of large banks to be conducted in co-operation with national supervisory authorities of Member States participating in the SSM. The assessment, which consists of a risk assessment, an asset quality review and a stress test, started in November 2013 and is expected to be conducted over a 12-month period in preparation for the ECB assuming full responsibility for supervision as part of the SSM in November 2014. ING Bank is among the seven Dutch institutions to be covered by the assessment (out of more than 120 institutions overall). The SSM will create a new system of financial supervision for countries within the Eurozone, with the possibility of non-Eurozone Member States participating by means of close co-operation. While it is at this stage difficult to identify what exact impact the SSM will have on the Issuer, it is expected that the SSM will have a significant impact on the way the Issuer's banking operations are supervised in Europe.

*Dodd-Frank Act*

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank" or the "Dodd-Frank Act") was signed into law in the U.S. The Dodd-Frank Act effects comprehensive changes to the regulation of financial services in the U.S. and has implications for non-U.S. financial institutions with a U.S. presence, such as ING. Dodd-Frank directs existing and newly created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, a process that remains underway and is expected to continue over the next few years. While some studies have been completed and the rulemaking process is well underway, there continues to be significant uncertainty regarding the results of on-going studies and the ultimate requirements of regulations that have not yet been adopted. The Issuer cannot predict with certainty how Dodd-Frank and such regulations will affect the financial markets generally and impact the Issuer's business, credit or financial strength ratings, results of operations, cash flows or financial condition or liquidity. Key aspects of Dodd-Frank that the Issuer has identified to date as possibly having an impact on the Issuer include the aspects set out below.

Title VII of Dodd-Frank creates a new framework for regulation of the over-the-counter derivatives markets and certain market participants which could affect various activities of the Issuer. New margin and capital requirements for market participants that will be contained in final regulations to be adopted by the SEC and U.S. Commodity Futures Trading Commission ("CFTC") could substantially increase the cost of hedging and related operations, affect the profitability of the Issuer's products or their attractiveness to its customers, or cause the Issuer to alter its hedging strategy or change the composition of risks that it does not hedge. In addition, new position limits requirements for market participants that may be contained in final regulations to be adopted by the CFTC could limit the scope of hedging activity that is permitted for commercial end users, limiting their ability to utilise certain of the Issuer's products, and could also limit the scope of the Issuer's ability to provide derivatives products for its non-end user customers.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are currently considering whether "stable value" contracts should be regulated as "swap" derivative contracts. In the event that stable value contracts become subject to such regulation, certain aspects of the Issuer's business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

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

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

On 10 December 2013, various federal agencies approved a final rule implementing Section 619 of Dodd-Frank, commonly referred to as the "Volcker Rule" and which places limitations and restrictions on the ability of U.S. FDIC insured depository institutions and non-U.S. banks with branches or agencies in the U.S. that become subject to the U.S. Bank Holding Company Act, as well as their affiliates, to engage in certain proprietary trading or sponsor and invest in private equity and hedge funds. Such organisations will have until 21 July 2015 to comply fully with most requirements of the Volcker Rule, with an important exception for organisations with significant trading activities, which will be required to report information on their trading activities beginning in July 2014. In the event that the Issuer or one of its affiliates becomes subject to the Volcker Rule, the Issuer's investment activities could be so restricted. It is expected that the Issuer will experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities it currently conducts if the Volcker Rule becomes applicable to it and its affiliates.

For instance, the Issuer's wholly owned subsidiary, ING Bank, may from time to time consider whether to establish a branch office in the U.S. If ING Bank were to establish a U.S. branch, it would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on its activities under those laws, including the Bank Holding Company Act of 1956, as amended, and the International Banking Act of 1978, and, as a consequence, such supervision and regulation, including such restrictions on activities, could materially impact the Issuer's operations. These would include, among others, the Volcker Rule and heightened supervisory requirements and prudential standards.

Dodd-Frank also includes various securities law reforms that may affect the Issuer's business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers fiduciary duties to their customers, as applies to investment advisers under existing law, which new standard could potentially expose certain of ING's U.S. broker-dealers to increased risk of SEC enforcement actions and liability. In 2011, the SEC staff released a study on this issue, and members of the SEC's Investor Advisory Committee voted in November 2013 to recommend the proposal implementing a uniform fiduciary standard for most brokers and registered investment advisers to the SEC.

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

*Foreign Account Tax Compliance Act*

Under the Foreign Account Tax Compliance Act ("FATCA"), U.S. federal tax legislation passed in 2010, a 30% withholding tax will be imposed on "withholdable payments" made to non-U.S. financial institutions (including non-U.S. investment funds and certain other non-U.S. financial entities) that fail (or, in some cases, that have 50% affiliates which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. accountholders and/or certain U.S. investors (such U.S. accountholders and U.S. investors, "U.S. accountholders") to the U.S. Internal Revenue Service (the "IRS"). For non-U.S. financial institutions that fail to comply, this withholding will generally apply without regard to whether the beneficial owner of a withholdable payment is a U.S. person or would otherwise be entitled to an exemption from U.S. federal withholding tax. Withholdable payments generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. Furthermore, FATCA may also impose withholding on non-U.S.-source payments by non-U.S. financial institutions that comply with FATCA to non-U.S. financial institutions that fail to comply with FATCA. This withholding will take effect on a "phased" schedule, starting in July 2014 with withholding on non-U.S.-source payments by non-U.S. financial institutions to start no earlier than January 2017. In general, non-publicly traded debt and equity interests in investment vehicles will be treated as "accounts" and subject to these reporting requirements. In addition, certain insurance policies and annuities are considered accounts for these purposes.

Some countries, including The Netherlands, have entered into, and other countries are expected to enter into, intergovernmental agreements ("IGAs") with the U.S. to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report some information on their U.S. accountholders to the taxing authorities of those countries, who will then pass the information to the IRS.

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

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

*Bank Recovery and Resolution Regimes*

In June 2012, the "Intervention Act" (*Wet bijzondere maatregelen financiële ondernemingen*) came into force in The Netherlands, with retroactive effect from 20 January 2012. The Intervention Act mainly amends the Dutch Financial Supervision Act and the Dutch Insolvency Act and allows Dutch authorities to take certain actions when banks and insurers fail and cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It is composed of two categories of measures. The first category of measures can be applied if a bank or insurer experiences serious financial problems and includes measures related to the timely and efficient liquidation of failing banks and insurers. This set of measures gives the DNB the power to transfer customer deposits, assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deems that, in respect of the relevant bank, there are signs of an adverse development with respect to its funds, solvency, liquidity or technical provisions and it can be reasonably foreseen that such development will not be sufficiently or timely reversed. The DNB was also granted the power to influence the internal decision-making of failing institutions through the appointment of an "undisclosed administrator". The second category of measures can be applied if the stability of the financial system is in serious and immediate danger as a result of the situation of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures grants the authority to the Minister of Finance to take immediate measures or proceed to expropriation of assets of or securities issued by failing financial institutions. For example, on 1 February 2013, the Dutch State nationalised the SNS Reaal bank and insurance group ("SNS Reaal") by expropriating shares, core tier 1 securities and other subordinated debts issued by SNS Reaal. The Dutch Ministry of Finance has stated that it will impose in 2014 an aggregate EUR 1 billion one-time levy on Dutch banks, including the Issuer, to share the costs of the SNS Reaal nationalisation. This resulted in a charge of EUR 304 million for ING Bank, to be paid in the first three quarters of 2014.

The Intervention Act also includes measures that limit the ability of counterparties to exercise their rights after any of the measures mentioned above have been put into place, with certain exceptions. Within the context of the resolution tools provided in the Intervention Act, holders of debt securities of a bank subject to resolution could also be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

The Intervention Act will need to be amended following the implementation of the "Bank Recovery and Resolution Directive". The Bank Recovery and Resolution Directive is legislation aimed at harmonising national rules on bank recovery and resolution and on which the European Council and the European Parliament reached a political agreement in December 2013. The Bank Recovery and Resolution Directive was adopted by the European Parliament in April 2014 and is expected to be adopted by the European Council by June 2014.

The Bank Recovery and Resolution Directive includes, among other things, the obligation for institutions to draw up a recovery plan and the obligation for resolution authorities in the Member States to draw up a resolution plan, the resolution authorities' power to take early intervention measures and the establishment of a European system of financing arrangements. The Bank Recovery and Resolution Directive confers extensive resolution powers to the resolution authorities, including the power to require the sale of (part of a) business, to establish a bridge institution, to separate assets and to take bail-in measures. The Bank Recovery and Resolution Directive is expected to enter into force on 1 January 2015. The stated aim of the Bank Recovery and Resolution Directive is to provide supervisory authorities, including the relevant Dutch resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers proposed to be granted to supervisory authorities under the Bank Recovery and Resolution Directive include, among others, the introduction of a statutory "write-down and conversion" power and a "bail-in" power, which would give the relevant Dutch resolution authority the power to (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity and (ii) cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include certain securities that have been or will be issued by ING) of a failing financial institution and/or to convert certain debt claims (which could include certain securities that have been or will be issued by ING) into another security, including ordinary shares of the surviving group entity, if any. None of these actions would be expected to constitute an event of default under those securities entitling holders to seek repayment. It is currently contemplated that the measures (including the write-down and conversion powers relating to Tier 1 capital instruments and Tier 2 capital instruments) set out in the Bank Recovery and Resolution Directive will be implemented with effect from 1 January 2015, with the bail-in power for other eligible liabilities (which could include any securities that have been issued or will be issued by ING, that are not Tier 1 or Tier 2 capital instruments) expected to be introduced by 1 January 2016.

In addition to a "write-down and conversion" power and a "bail-in" power, the powers to be granted to the relevant Dutch resolution authority under the Bank Recovery and Resolution Directive include the two categories of measures introduced by the Intervention Act, as described above. In addition, the Bank Recovery and Resolution Directive will, among the broader powers to be granted to the relevant resolution authority, provide powers to the relevant resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments. None of these actions would be expected to constitute an event of default under those debt instruments or other eligible liabilities entitling holders to seek repayment.

There remains uncertainty regarding the ultimate nature and scope of these powers and, when implemented, how they would affect the Issuer and the securities that have been issued or will be issued by ING. Accordingly, it is not yet possible to assess the full impact of the Bank Recovery and Resolution Directive on ING and on holders of any securities issued or to be issued by ING, and there can be no assurance that, once it is implemented, the manner in which it is implemented or the taking of any actions by the relevant Dutch resolution authority currently contemplated in the Bank Recovery and Resolution Directive would not adversely affect the rights of holders of the securities issued or to be issued by ING, the price or value of an investment in such securities and/or ING's ability to satisfy its obligations under such securities.

Finally, as part of the road towards a full banking union, on 10 July 2013, the EC published a draft Regulation for a Single Resolution Mechanism ("SRM") with the aim of having a Single Resolution Board that will be responsible for key decisions on how a bank, subject to SSM supervision, is to be resolved if a bank has irreversible financial difficulties and cannot be wound up under normal insolvency proceedings without destabilising the financial system. The SRM was adopted by the

European Parliament in April 2014 and is expected to be adopted by the European Council by Summer 2014. The SRM is expected to enter into force in 2015.

There are certain differences between the provisions of the Intervention Act, the Recovery and Resolution Directive and the SRM Regulation, which may further bring future changes to the law. The Issuer is unable to predict what specific effects the Intervention Act and the adoption of the Bank Recovery and Resolution Directive and the SRM Regulation may have on the financial system generally, its counterparties, holders of securities issued by, or to be issued by, the Issuer, or on the Issuer, its operations or its financial position.

The Issuer has set up an all-encompassing recovery planning process to enhance its readiness and decisiveness to tackle financial crises on its own strength. The Issuer's recovery plan was submitted to and approved by the DNB in November 2012 and is updated at least annually. Furthermore, during 2013, the Issuer submitted information on the basis of which the Dutch resolution authorities will be able to develop a resolution plan.

*The Financial Stability Board (FSB)*

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The lawmakers and regulatory authorities in a number of jurisdictions in which the Issuer's subsidiaries conduct business have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations, and the potential impact of such changes on the Issuer's business, results of operations and financial condition remains unclear.

*Additional Governmental Measures*

Governments in The Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject the Issuer and other institutions for which they were designed to additional restrictions, oversight or costs. Restrictions related to the Core Tier 1 Securities (the "Core Tier 1 Securities") and the Illiquid Asset Back-up Facility ("IABF") (together, the "Dutch State Transactions") and the Restructuring Plan are further described in "Risks Related to the Restructuring Plan".

Sections 382 and 383 of the U.S. Internal Revenue Code, as amended, operate as anti-abuse rules, the general purpose of which is to prevent trafficking in tax losses and credits, but which can apply without regard to whether a "loss trafficking" transaction occurs or is intended. These rules are triggered when an "ownership change" – generally defined as when the ownership of a company, or its parent, changes by more than 50% (measured by value) on a cumulative basis in any three-year period – occurs. If triggered, the amount of the taxable income for any post-change year which may be offset by a pre-change loss is subject to an annual limitation. As of 31 December 2013, the Issuer believes that its U.S. subsidiaries have not had an "ownership change" for the purposes of Sections 382 and 383. However, this determination is subject to uncertainties and is based on various assumptions. Future increases of capital or other changes in ownership may adversely affect the Issuer's cumulative ownership, and could trigger an "ownership change", which could limit the ability of its U.S. subsidiaries to use tax attributes, and could correspondingly decrease the value of these attributes.

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax, which mirrors the scope of its original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the financial transaction tax ("FTT") zone ("FTT-zone"), currently limited to 11 participating Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). Depending on its final form, the introduction of an FTT in The Netherlands or outside The Netherlands could have a substantial adverse effect on ING's business and results.

As of 1 October 2012, banks that are active in The Netherlands are subject to a bank tax pursuant to a tax regulation that also includes measures to moderate bonuses awarded to executives at such banks. This tax results in increased taxes on the Issuer's banking operations, which could negatively impact its operations, financial condition and liquidity.

In May 2012, the International Association of Insurance Supervisors ("IAIS"), of which the DNB is a member, published a proposed assessment methodology for designating global systemically important insurers ("G-SIIs"), as part of the global initiative to identify G-SIFIs. Insurers identified as G-SIIs would be subject to additional policy measures. The FSB published an initial list of G-SIIs in July 2013, which did not include NN Group. However, the group of G-SIIs is expected to be updated annually and published by the FSB each November based on new data, starting from November 2014, and there can be no assurance that the Issuer will be excluded from it in the future. The proposed policy measures, which are still under development and discussion and which would need to be implemented by legislation or regulation in relevant jurisdictions, include higher capital requirements (both for non-traditional and non-insurance activities and for G-SIIs overall), enhanced supervision (including more detailed and frequent reporting, removal of barriers to orderly resolution of the G-SII and reduction of the G-SII's systemic risk over time), as well as additional measures to improve the degree of self-sufficiency of a G-SII's different business segments (including separate legal structures for traditional insurance and non-traditional or non-insurance activities, and restrictions on intercompany subsidies). If ING were identified as a G-SII in the future, compliance costs will increase and its competitive position relative to other life insurers that were not designated as G-SIIs may be adversely affected.

***Continued risk of resurgence of turbulence and on-going volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, the Issuer and its business, financial condition and results of operations.***

*General*

The Issuer's business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, any recurrence of the European sovereign debt crisis, the ability of certain countries to remain in the Eurozone, unemployment, the availability and cost of credit, credit spreads, the recent shutdown of the U.S. government and its plan to phase out monetary asset purchases ("tapering"), the level of U.S. national debt and the U.S. housing market, inflation levels, energy costs and geopolitical issues all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

While certain of such conditions improved during the period between 2011 and 2013, these conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, prices for many types of asset-backed securities and other structured products significantly deteriorated following the financial crisis in 2008 and have not fully recovered. Concerns over pricing have included a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the U.S., the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Issuer operates, have also experienced budgetary and other financial difficulties, which have resulted in austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see "U.S. Sovereign Credit Rating" and "European Sovereign Debt Crisis" below). As a result, the market for fixed income instruments has experienced from time to time decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including the Issuer, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on the Issuer's revenues and results of operations, in part because the Issuer has a large investment portfolio and extensive real estate activities around the world.

In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to the Issuer's or its competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on the Issuer's revenues and results of operations, including through an increase of lapses or surrenders of policies and withdrawal of deposits. Because a significant percentage of the Issuer's customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

As a result of the on-going and unprecedented volatility in the global financial markets since 2007, the Issuer has incurred in past years substantial negative revaluations and impairments on its investment portfolio, which have impacted the Issuer's shareholders' equity and earnings. During 2011, 2012 and 2013, the revaluation reserve position improved substantially, positively impacting shareholders' equity. Although the Issuer believes that, as of 31 December 2013, its reserves for insurance liabilities were generally adequate, inadequacies in certain product areas have developed. The aforementioned developments in the global financial markets and, in particular, decreasing interest rates have resulted in a decrease in the Issuer's overall reserves adequacy and may further continue to produce reserves inadequacies in the future, potentially leading to the need for reserve strengthening.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with the Issuer's investments in real estate (both in and outside the U.S.) and private equity, exposures to European sovereign debt and to U.S. mortgage-related structured investment products, including sub-prime and Alt-A residential and commercial mortgage-backed securities, collateralised debt obligations and collateralised loan obligations, monoline insurer guarantees and other investments. In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgement and other factors, and is also impacted by external factors, such as underlying mortgage default rates, interest rates, rating agency actions and property valuations.

Although the Issuer continues to monitor its exposures, there can be no assurance that it will not experience further negative impacts to its shareholders' equity or profit and loss accounts in future periods.

*U.S. Sovereign Credit Rating*

In 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. Although other rating agencies have not similarly lowered the long-term sovereign credit rating of the U.S., they have put that credit rating on review. Amid the lingering uncertainty over the long-term outlook for the fiscal position and the future economic performance of the U.S. within the global economy, as well as potential future budgetary restrictions in the U.S., as illustrated by the recent budget negotiations and partial shutdown of the U.S. government in October 2013, there continues to be a perceived risk of a future sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. The impact of any further downgrades to the sovereign credit rating of the U.S. government or a default by the U.S. government to satisfy its debt obligations is likely to create broader financial turmoil and uncertainty, which would weigh heavily on the global financial system and could consequently result in a significant adverse impact to ING.

*European Sovereign Debt Crisis*

In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU "peripheral" Member States to continue to service their sovereign debt obligations. Significant concerns regarding the sovereign debt of these countries, as well as certain other countries, of the "core" EU Member States are on-going and, in some cases, have required countries to obtain emergency financing. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Despite the creation of a European Financial Stability Facility as a temporary rescue mechanism in May 2010, assistance packages to Greece, Ireland, Portugal and Cyprus, the approval of a further bailout of Greece by the relevant government and monetary bodies of the Eurozone and the International Monetary Fund in March 2012, and the establishment of the European Stability Mechanism in October 2012 (which provided its first financial assistance in February 2013 for the recapitalisation of Spain's banking sector and which approved a financial assistance agreement in May 2013 for Cyprus after the Eurozone finance ministers (Eurogroup) backed a bailout of Cyprus), uncertainty over the outcome of the EU governments' financial support programmes and concerns regarding sovereign finances persisted during the course of 2013. Market concerns over the direct and indirect exposure of European banks and insurers to the EU sovereign debt further resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. In December 2011, European leaders agreed to implement steps (and continue to meet regularly to review, amend and supplement such steps) to encourage greater long-term fiscal responsibility on the part of the individual Member States and bolster market confidence in the Euro and European sovereign debt; to this end, the Treaty on Stability, Coordination and Governance ("Fiscal Treaty") was signed by 25 EU Member States in March 2012 and entered into force on 1 January 2013.

However, the Fiscal Treaty needs to be incorporated into the existing EU treaties, which is expected to take many years, and, even if such steps are implemented, there is no guarantee that they will ultimately and finally resolve uncertainties regarding the ability of Eurozone states to continue to service their sovereign debt obligations. Further, despite such long-term structural adjustments and improvements being proposed and implemented, the future of the Euro in its current form, and with its current membership, remains uncertain. The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability.

Risks and on-going concerns about the debt crisis in Europe, as well as the possible default by, or exit from, the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies, could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these European countries and the financial condition of European and other financial institutions, including the Issuer. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available. Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, consumer confidence levels and spending as well as bankruptcy rates and levels of incurrence of, and default on, consumer debt and home prices, among other factors. There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, the Issuer's business and results of operations could be significantly and adversely impacted. In addition, the possible exit from the Eurozone of one or more European states and/or the replacement of the Euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of Euro denominated contracts to which the Issuer (or its counterparties) is a party and thereby materially and adversely affect the Issuer and/or its counterparties' liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euros is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the Eurozone) may not recognise and/or enforce claims denominated in Euros (and/or in any replacement currency). The possible exit from the Eurozone of one or more Member States and/or the replacement of the Euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate, and otherwise have potentially materially adverse impacts on the Issuer and its counterparties, including its depositors, lenders, borrowers and other customers. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment, have negatively affected the economy of main geographic regions where the Issuer conducts its business. The Issuer's results of operations, liquidity position, capital position, investment portfolio and AUM are exposed to these risks and may be adversely affected as a result. In addition, in the event of extreme prolonged market events, such as the recent global credit crisis, it could incur significant losses.

On 13 January 2012, Standard & Poor's Ratings Group, Inc. proceeded to downgrade the credit ratings of France, Austria, Italy, Spain, Portugal and a handful of other EEA states (while reaffirming the credit ratings of Germany, The Netherlands, Ireland and other EEA states and changing the outlook to "negative" for 15 Eurozone countries). Further related downgrades of European sovereign ratings and of corporate ratings have occurred since that date, including the downgrade of The Netherlands' sovereign debt rating from AAA to AA+ by Standard & Poor's Ratings Group, Inc. on 29 November 2013. These announcements, as well as any future changes, are of high importance to the Issuer, because they affect its financing costs and, as a result, its profitability.

***Because the Issuer operates in highly competitive markets, including its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results of operations.***

There is substantial competition in The Netherlands and the other countries in which the Issuer does business for the types of insurance, commercial banking, investment banking, asset management and other products and services it provides. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, investment performance of the Issuer's products, the prices and attributes of products and services, scope of distribution, perceived financial strength, credit ratings and actions taken by competitors. A decline in the Issuer's competitive position as to one or more of these factors could adversely impact its ability to maintain or further increase its market share, which would adversely affect its results of operations. Such competition is most pronounced in the Issuer's more mature markets of The Netherlands, Belgium, the rest of Western Europe, the U.S. and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with the Issuer's competitors. The Netherlands and the U.S. are its largest markets. The Issuer's main competitors in the banking sector in The Netherlands are ABN AMRO Bank and Rabobank. The Issuer's main competitors in the insurance sector in The Netherlands are Achmea, ASR, Delta Lloyd and Aegon. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations. Increasing competition in these or any of the Issuer's other markets may significantly impact the Issuer's results if it is unable to match the products and services offered by its competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in the Issuer's competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity.

The Issuer may experience pricing pressures as a result of these factors in the event that some of its competitors seek to increase market share by reducing prices. In addition, under the Restructuring Plan, the Issuer has been required to agree to certain restrictions imposed by the EC, including with respect to its price leadership in EU banking markets and its ability to make acquisitions of financial institutions and other businesses. See "Risks Related to the Restructuring Plan – The limitations required by the EC on the Issuer's ability to compete and to make acquisitions or redeem certain debt instruments could materially impact the Issuer". Failure to effectively compete within the industry may thus have a material adverse impact on its business, results of operations and financial condition.

***The inability of counterparties to meet their financial obligations could have a material adverse effect on the Issuer's results of operations.***

*General*

Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities the Issuer holds, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, or other factors, or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. In light of experiences with significant constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to the Issuer's franchise as an important and large counterparty in equity, fixed-income and foreign exchange markets, including related derivatives, which would then be exposed to concentration risk.

The Issuer routinely executes a high volume of transactions, such as those involving unsecured debt instruments, derivative transactions and equity investments, with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing merchants, swap dealers, and other institutions, resulting in large periodic settlement amounts, which may result in the Issuer having significant credit exposure to one or more of such counterparties or customers. As a result, the Issuer faces concentration risk with respect to liabilities or amounts it expects to collect from specific counterparties and customers. The Issuer is exposed to increased counterparty risk as a result of recent financial institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on the Issuer's results of operations or liquidity.

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

In addition, the Issuer is subject to the risk that its rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations the Issuer holds could result in losses and/or adversely affect its ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of the Issuer's counterparties could also have a negative impact on its income and risk weighting, leading to increased capital requirements. While in many cases the Issuer is permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. The Issuer's credit risk may also be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to the Issuer, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the recent financial crisis. The termination of contracts and the foreclosure on collateral may subject the Issuer to claims for the improper exercise of its rights under such contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

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

*Reinsurers*

The Issuer's insurance operations have bought protection for risks that exceed certain risk tolerance levels set for both the Issuer's life and non-life businesses. This protection is bought through reinsurance arrangements in order to reduce possible losses. However, the Issuer remains liable to the underlying policyholders, even if the reinsurer defaults on its obligations. Because in most cases the Issuer must pay policyholders first before collecting the amount from the reinsurer, it is subject to credit risk with respect to each reinsurer for all such amounts. The inability or unwillingness of any one of these reinsurers to meet its financial obligations to the Issuer, or the insolvency of the Issuer's reinsurers, could have a material adverse effect on the Issuer's financial condition and results of operations.

***Market conditions observed over the past few years may increase the risk of loans being impaired. The Issuer is exposed to declining property values on the collateral supporting residential and commercial real estate lending.***

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

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

***Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability.***

Changes in prevailing interest rates may negatively affect the Issuer's business, including the level of net interest revenue the Issuer earns, and, for its banking business, the levels of deposits and the demand for loans. In a period of changing interest rates, interest expense may increase and interest credited to policyholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest revenue. Changes in interest rates may negatively affect the value of the Issuer's assets and its ability to realise gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings and capital. In addition, ING's insurance and annuity products and certain of its retirement and investment products are sensitive to inflation rate fluctuations. A sustained increase in the inflation rate in the Issuer's principal markets may also negatively affect its business, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into the Issuer's product pricing assumptions may result in mispricing of its products, which could materially and adversely impact its results of operations.

Declining interest rates or a prolonged period of low interest rates may result in:

- life insurance and annuity products being relatively more attractive to consumers due to minimum guarantees with respect to such products that are frequently mandated by regulators;
- increased premium payments on products with flexible premium features;
- a higher percentage of insurance and annuity contracts remaining in force from year-to-year than the Issuer anticipated in its pricing, potentially resulting in greater claims costs than the Issuer expected and creating asset liability cash flow mismatches;
- additional provisions for guarantees included in life insurance and annuity contracts, as the guarantees become more valuable to policyholders;
- lower investment earnings over time on existing investments, as premiums and reinvestments will earn lower rates;
- reserve strengthening by affecting the results of the Issuer's reserve adequacy testing in extreme cases of low interest rates;
- potential impact on the solvency level under Solvency 1.5;
- higher prepayment or redemption of mortgages and fixed maturity securities in the Issuer's investment portfolios as borrowers seek to borrow at lower interest rates. Consequently, the Issuer may be required to reinvest the proceeds in securities bearing lower interest rates;
- lower profitability as the result of a decrease in the spread between interest rates charged to policyholders and savings/other liabilities and returns on the Issuer's investment portfolios;
- higher costs for certain derivative instruments that may be used to hedge certain of the Issuer's product risks; and/or
- lower profitability since the Issuer may not be able to fully track the decline in interest rates in its savings rate.

Accordingly, during periods of low interest rates, the Issuer's profitability may suffer as the result of a decrease in the spread between interest rates credited to insurance policyholders and annuity contract owners. An extended period of declining interest rates or a prolonged period of low interest rates may also cause the Issuer to change its long-term view of the interest rates that it can earn on the Issuer's investments. In addition, certain statutory capital and reserve requirements are based on formulae and models that consider interest rates, and an extended period of low interest rates may increase the statutory capital the Issuer is required to hold and the amount of assets it must maintain to support statutory reserves.

Rapidly increasing interest rates may result in:

- a decrease in the demand for loans;
- an increase in policy loans and withdrawals from and/or surrenders of life insurance policies and fixed annuity contracts as policyholders choose to forego insurance protection and seek higher investment returns. Obtaining cash to satisfy these obligations may require the Issuer to liquidate fixed maturity investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realised investment losses. Regardless of whether the Issuer realises an investment loss, these cash payments would result in a decrease in total invested assets, and may decrease its net income. Premature withdrawals may also cause the Issuer to accelerate amortisation of deferred policy acquisition costs, which would also reduce its net income;
- prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges;
- higher interest rates to be paid on debt securities that the Issuer has issued or may issue on the financial markets from time to time to finance its operations and on savings/other liabilities, which would increase its interest expenses and reduce its results of operations;
- a material adverse effect on the value of the Issuer's investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within the Issuer's investment portfolio;
- (depending on the position) a significant collateral posting requirement associated with the Issuer's interest rate hedge programmes, which could materially and adversely affect liquidity; and/or
- decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed income funds.

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

In The Netherlands and other jurisdictions, deposit guarantee schemes and similar funds ("Compensation Schemes") have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which the Issuer operates, these Compensation Schemes are funded, directly or indirectly, by financial services firms which operate and/or are licensed in the relevant jurisdiction. ING Bank is a participant in the Dutch Deposit Guarantee Scheme (the "Deposit Guarantee Scheme"), which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). The costs involved with making compensation payments under the Deposit Guarantee Scheme are allocated among the participating banks by the DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Deposit Guarantee Scheme. Given its size ING may incur significant compensation payments to be made under the Deposit Guarantee Scheme, which it may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by ING may have a material adverse effect on the Issuer's results of operations and financial condition. As of 1 July 2015, the Deposit Guarantee Scheme is to change from an ex-post scheme, where ING would have contributed after the failure of a firm, to an ex-ante scheme where ING will pay quarterly risk-weighted contributions into a fund for the Deposit Guarantee Scheme. The fund is to grow to a target size of 1% of all deposits guaranteed under the Deposit Guarantee Scheme, approximately EUR 4 billion at present. The target size would have to be reached in 15 years. However, in December 2013, EU Member States and the European Parliament agreed on reforms to the EU Directive on the Deposit Guarantee Scheme. Main characteristics include an ex-ante funding of up to 0.8% of the banking sector's insured deposits for payouts, to be built up in 10 years, but ultimate contributions will be risk-based. It is as yet unclear what this proposal will mean for the proposed Dutch changes.

The costs associated with potential future ex-ante contributions are today unknown and will depend on the methodology used to calculate risk-weighting, but, given ING's size, may be significant. See also "The Issuer operates in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing the Issuer's business may reduce the Issuer's profitability – Bank Recovery and Resolution Regimes".

***The Issuer's business may be negatively affected by a sustained increase in inflation.***

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

**1.** decrease the estimated fair value of certain fixed income securities that the Issuer holds in its investment portfolios, resulting in:

- reduced levels of unrealised capital gains available to the Issuer, which could negatively impact its solvency position and net income; and/or
- a decrease in collateral values;

**2.** result in increased surrenders of certain life and savings products, particularly those with fixed rates below market rates;

**3.** result in actual claims payments significantly exceeding associated insurance reserves in the context of certain non-life risks, due to:

- claims inflation (which is an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim); together with
- an underestimation of corresponding claims reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable to policyholders; and, consequently
- actual claims payments significantly exceeding associated insurance reserves;

**4.** require the Issuer, as an issuer of securities, to pay higher interest rates on debt securities that it issues in the financial markets from time to time to finance its operations, which would increase its interest expenses and reduce its results of operations; and/or

**5.** result in decreased fee income associated with a decline in the variable annuity balances invested in fixed income funds.

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

**1.** result in impairment charges to equity securities that the Issuer holds in its investment portfolios and reduced levels of unrealised capital gains available to it which would reduce its net income and negatively impact its solvency position;

2. negatively impact performance, future sales and surrenders of certain products where underlying investments are often allocated to equity funds;

3. negatively impact the ability of the Issuer's asset management subsidiaries to retain and attract AUM, as well as the value of assets they do manage, which may negatively impact their results of operations;

4. result in decreased fee income associated with a decline in the variable annuity balances invested in fixed income funds; and/or

5. lower the value of the Issuer's equity investments impacting its capital position.

In addition, a failure to accurately anticipate higher inflation and factor it into the Issuer's product pricing and reserves assumptions may result in a systemic mispricing of its products, resulting in underwriting losses, which would negatively impact its results of operations.

## RISKS RELATED TO THE ISSUER'S BUSINESS OPERATIONS AND REGULATORY ENVIRONMENT

***The Issuer may be unable to manage its risks successfully through derivatives.***

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

Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate the Issuer from risks associated with those fluctuations. The Issuer's hedging strategies also rely on assumptions and projections regarding the Issuer's assets, liabilities, general market factors and the creditworthiness of the Issuer's counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, the Issuer's hedging activities may not have the desired beneficial impact on its results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase its risks and losses. Hedging strategies involve transaction costs and other costs, and, if the Issuer terminates a hedging arrangement, it may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which the Issuer has incurred or may incur losses on transactions, possibly significant, after taking into account its hedging strategies. Further, the nature and timing of the Issuer's hedging transactions could actually increase the Issuer's risk and losses. Hedging instruments the Issuer uses to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected profit and loss effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralised. As such, the Issuer's hedging strategies and the derivatives that the Issuer uses or may use may not adequately mitigate or offset the risk of interest rate volatility, and the Issuer's hedging transactions may result in losses.

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

***The Issuer may be unable to retain key personnel.***

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

As a part of their responses to the financial crisis of 2008, the EC and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and that those policies and practices impose restrictions on the remuneration of personnel, in particular, senior management, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in (i) the so-called Capital Requirements Directive III and the CRD IV Directive, and (ii) the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority ("EBA"), the Regulation of the DNB on Sound Remuneration Policies (*Regeling beheerst beloningsbeleid Wft 2011*), the Dutch law with respect to the limitation of liability of the DNB and AFM and the prohibition of the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (*Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen*) and the Dutch legislative proposal submitted to the Dutch Parliament in November 2013 on remuneration for employees of financial institutions. The legislative proposal would, if adopted, introduce a variable remuneration cap at 20% on an aggregated level for all persons working in the financial sector in The Netherlands. Persons covered by a collective labour agreement in The Netherlands are subject to an individual cap of 20%. Other persons in The Netherlands are subject to the aggregated cap of 20%. For this group, as well as for persons working outside The Netherlands, (in the EU or outside the EU), exceptions are possible, in line with the CRD IV Directive, but only under strict conditions. In addition, the proposal limits exit compensation and retention compensation and prohibits guaranteed variable remuneration. It is currently expected that the proposal will result in legislation being adopted in the course of 2014 and becoming effective as of 2015. Since the financial crisis, the Issuer has adapted its remuneration policies to the new national and international standards. No base salary increase in relation to 2014 has been proposed and, as of 31 December 2013, the remuneration level of ING's Executive Board is far below the median of its EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions. These restrictions will continue to have an impact on the Issuer's existing remuneration policies and individual remuneration packages for personnel and may restrict the Issuer's ability to offer competitive compensation compared with companies that are not subject to such restrictions.

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

***The Issuer may not be able to protect its intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on the Issuer's business and results of operations.***

In the conduct of the Issuer's business it relies on a combination of contractual rights with third parties and copyright, trade mark, trade name, patent and trade secret laws to establish and protect its intellectual property. Although it endeavours to protect its rights, third parties may infringe or misappropriate its intellectual property. The Issuer may have to litigate to enforce and protect its copyrights, trade marks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, the Issuer may be required to incur significant costs, and its efforts may not prove successful. The inability to secure or protect the Issuer's intellectual property assets could have a material adverse effect on its business and its ability to compete.

The Issuer may also be subject to claims made by third parties for (i) patent, trade mark or copyright infringement, (ii) breach of copyright, trade mark or licence usage rights, or (iii) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If the Issuer was found to have infringed or misappropriated a third-party patent or other intellectual property right, it could in some circumstances be enjoined from providing certain products or services to its customers or from utilising and benefiting from certain methods, processes, copyrights, trade marks, trade secrets or licences. Alternatively, it could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on the Issuer's business and results of operations.

***Because the Issuer uses assumptions about factors to calculate the amount of certain items, the use of different assumptions about these factors may have an adverse impact on its results of operations.***

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

***Because the Issuer uses assumptions to model client behaviour for the purpose of its market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future results.***

The Issuer uses assumptions in order to model client behaviour for the risk calculations in its banking and insurance books. Assumptions are used to determine insurance liabilities, the interest rate risk profile of savings and current accounts and to estimate the embedded option risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine client behaviour could have a material adverse effect on the calculated risk figures and, ultimately, future results. NN Group has a significant exposure to the take up of policy options by policyholders. The exposure is greatest for variable annuity business with guarantees deeply in-the-money; policyholder behaviour is difficult to predict and small changes in the proportion of policyholders taking up an option can have a significant financial impact. Furthermore, assumptions about policyholder behaviour are sometimes made for new insurance businesses without a substantial amount of experiential data. These assumptions may prove imperfect, which may have a material impact on results. See "Because the Issuer uses assumptions about factors to calculate the amount of certain items, the use of different assumptions about these factors may have an adverse impact on its results of operations".

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

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

***The Issuer's risk management policies and guidelines may prove inadequate for the risks it faces.***

The Issuer has developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, its policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods the Issuer uses to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to the Issuer. Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

***The Issuer is subject to a variety of regulatory risks as a result of its operations in certain countries.***

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

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

***Holders of NN Group's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN Group and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their behalf, actions taken by regulators or governmental authorities against NN Group or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN Group's business and, as a result, may have a material adverse effect on NN Group's and ING's business, reputation, revenues, results of operations, solvency and financial condition. In addition, claims and proceedings may be brought against NN Group in respect of other products with one or more similar product characteristics sold, issued or advised on by NN Group in and outside The Netherlands.***

Since the end of 2006, unit-linked products (commonly referred to in Dutch as "*beleggingsverzekeringen*") have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism of unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, the Issuer's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008, costs of the settlements were valued at EUR 365 million, for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, ING's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011, this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN Group prevent individual policyholders from initiating legal proceedings against ING's Dutch insurance subsidiaries and making claims for damages.

ING's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. As noted above, there has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings and there is a risk that one or more of these legal challenges will succeed. Customers of ING's Dutch insurance subsidiaries have claimed, among other matters, that (i) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer, (ii) the product costs charged on initial sale and on an on-going basis were so high that the expected return on investment was not realistically achievable, (iii) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to his personal circumstances, (iv) NN Group owed the customer a duty of care which NN Group breached, or (v) the insurer failed to warn of the risk of not realising the projected policy values. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered. NN Group is currently subject to legal proceedings initiated by individual policyholders and is the subject of a number of claims initiatives brought on behalf of policyholders by consumer protection organisations in which claims as set forth above or similar claims are being made. While to date less than 100 complaints are pending before the Dispute Committee of the Financial Services Complaints Board (the "KiFiD"), and less than 200 individual settlements have been made, there is no assurance that further proceedings for damages will not be brought. As the current proceedings are only in their early stages, the timing of reaching any finality on these legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time. As a result, although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of ING and, as a result, may have a material adverse effect on NN Group's and ING's reputation, results of operations, solvency and financial condition, it is not possible to reliably estimate or quantify NN Group's and ING's exposures at this time. See also "General Information – Litigation".

Rulings or announcements made by courts, including the European Court of Justice and advisory opinions to be issued by the Attorney General to such Court on questions being considered by such Court, or decision-making bodies or actions taken by regulators or governmental authorities against NN Group or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision-making bodies in respect of the unit-linked products may affect the (legal) position of NN Group and may force NN Group to take (financial) measures that could have a substantial impact on the financial condition, results of operations, solvency or reputation of NN Group and ING. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in The Netherlands. The impact on NN Group of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) may be determined not only by market share but also by product features, portfolio composition and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN Group or its products had been judged or negotiated solely on their own merits.

NN Group has in the past sold, issued or advised on unit-linked products in and outside The Netherlands, and in certain jurisdictions continues to do so. Moreover, NN Group has in the past, in The Netherlands and other countries, sold, issued or advised on large numbers of insurance or investment products of its own or of third parties (and in some jurisdictions continues to do so) that have one or more product characteristics similar to those unit-linked products that have been the subject of scrutiny, adverse publicity and claims in The Netherlands. Given the continuous political, regulatory and public attention on the unit-linked issue in The Netherlands, the increase in legal proceedings and claims initiatives in The Netherlands and the legislative and regulatory developments in Europe to further increase and strengthen consumer protection in general, there is a risk that unit-linked products and other insurance and investment products sold, issued or advised on by NN Group may become subject to the same or similar levels of regulatory or political scrutiny, publicity and claims or actions by consumers, consumer protection organisations, regulators or governmental authorities.

NN Group's book of policies dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result, policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN Group alleging that products sold in the past failed to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN Group.

Any of the developments described above could be substantial for NN Group and ING and, as a result, may have a material adverse effect on ING's business, reputation, revenues, results of operations, solvency, financial condition and prospects.

***The Issuer is exposed to the risk of mis-selling claims.***

Mis-selling claims are claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, the Issuer engages in a product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make mis-selling claims against the Issuer if the products do not generate the expected profit, or result in a loss, or otherwise do not meet expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to mis-selling as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and money has been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of effective risk management and legal and compliance procedures (which in themselves may prove inadequate or otherwise ineffective) to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices and products have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, and any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

***Ratings are important to the Issuer's business for a number of reasons. A downgrade or a potential downgrade in the Issuer's financial strength or its credit ratings could have an adverse impact on its operations and net result.***

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. The Issuer's credit ratings are important to its ability to raise funds through the issuance of debt and to the cost of such financing. In the event of a downgrade the cost of issuing debt will increase, having an adverse effect on its net result.

Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on its liquidity. The Issuer has credit ratings from Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Service Ltd. and Fitch France S.A.S. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time. For example, on 2 December 2013, Standard & Poor's Credit Market Services Europe Limited downgraded the long-term debt ratings of the Issuer from A to A- with stable outlook. At the same time, Standard & Poor's Credit Market Services Europe Limited cut the rating of NN Group from A+ to A.

Claims paying ability, at the Issuer or subsidiary level, and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade could elevate lapses or surrenders of policies requiring cash payments by current customers seeking companies with higher financial strength ratings, which might force the Issuer to sell assets at a price that may result in realised investment losses. Among other matters, total invested assets might decrease and deferred acquisition costs might need to be accelerated, adversely impacting earnings. Furthermore, sales of assets to meet customer withdrawal demands could also result in losses, depending on market conditions. In addition, a downgrade in either the Issuer's financial strength or credit ratings could potentially, among other things, increase its borrowing costs and make it more difficult to access financing; adversely affect access to the commercial paper market or the availability of letters of credit and other financial guarantees; result in additional collateral requirements, or other required payments or termination rights under derivative contracts or other agreements; and/or impair, or cause the termination of, its relationships with creditors, broker-dealers, distributors of its products and services and customers, reinsurers or trading counterparties, which could potentially negatively affect its profitability, new sales, liquidity, capital and/or ING's competitive position.

Furthermore, ING Bank N.V.'s assets are risk-weighted. Downgrades of these assets could result in a higher risk weighting which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on the Issuer's competitive position. For ING's insurance businesses in a number of jurisdictions, downgrades of assets will similarly affect the capital requirements for NN Group in those jurisdictions.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of the Issuer would have additional adverse ratings consequences, which could have a material adverse effect on the Issuer's results of operations, financial condition and liquidity. The Issuer may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause its business and operations to suffer. The Issuer cannot predict what additional actions rating agencies may take, or what actions it may take in response to the actions of rating agencies.

***Operational risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices or inadequate controls, may adversely impact the Issuer's business, results of operations and reputation.***

Operational risks are inherent in the Issuer's business. The Issuer's businesses depend on the ability to process a large number of transactions efficiently and accurately. Although the Issuer endeavours to safeguard its systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including failure to anticipate or prevent cyber attacks, which are deliberate attempts to gain unauthorised access to digital systems for the purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human error, employee misconduct, including fraud, or external events that interrupt normal business operations. The Issuer depends on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. The equipment and software used in the Issuer's computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite the Issuer's business continuity plans and procedures, certain of the Issuer's computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. In addition, whilst the Issuer has policies and processes to protect its systems and networks, they may be vulnerable to unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could have a security impact and jeopardise the Issuer's confidential information or that of its clients or its counterparties. These events can potentially result in financial loss and harm to the Issuer's reputation, and hinder its operational effectiveness. The Issuer also faces the risk that the design and operating effectiveness of its controls and procedures may prove to be inadequate. Widespread outbreaks of communicable diseases, such as the outbreak of the H1N1 influenza virus, may impact the health of the Issuer's employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to its employees, either or both of which could adversely impact its business. Unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and the Issuer's operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If the Issuer's business continuity plans are not able to be implemented or do not sufficiently take such events into account, losses may increase further.

The Issuer has suffered losses from operational risk in the past and there can be no assurance that it will not suffer material losses from operational risk in the future.

***Reinsurance may not be available, affordable or adequate to protect the Issuer against losses. The Issuer may also decide to reduce, eliminate or decline primary insurance or reinsurance coverage.***

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

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

***Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects.***

The Issuer is subject to litigation, arbitration and other claims and allegations in the ordinary course of business, including in connection with its activities as financial services provider, insurer, employer, investor and taxpayer. Adverse publicity and damage to the Issuer's reputation arising from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several rate-setting processes, increasing regulatory and law enforcement scrutiny of "know your customer" anti-money laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund and banking and insurance industries, and litigation that arises from the failure or perceived failure by the Issuer to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect the Issuer's ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties or other disciplinary action, or have other material adverse effects on the Issuer in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See also "The Issuer is exposed to the risk of mis-selling claims" above. The Issuer's reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on the Issuer's reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time-consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information with respect to specific proceedings, see "General Information – Litigation".

**RISKS RELATED TO THE RESTRUCTURING PLAN**

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

In November 2008, the Dutch State purchased the Core Tier 1 Securities, and in the first quarter of 2009 the Issuer entered into the IABF with the Dutch State, the structure of which was terminated as of 1 November 2013.

As a result of having received state aid through the Dutch State Transactions, the Issuer was required to submit a restructuring plan to the EC in connection with obtaining final approval for the Dutch State Transactions under the EC state aid rules. On 26 October 2009, the Issuer announced its Restructuring Plan ("Initial Restructuring Plan"), pursuant to which it was required to divest by the end of 2013 all of its insurance business, including the investment management business, as well as ING Direct USA, which operated the Issuer's direct banking business in the U.S., and certain portions of its retail banking business in The Netherlands. The EC's approval of the Initial Restructuring Plan was issued on 18 November 2009. On 28 January 2010, ING lodged an appeal with the General Court of the EU (the "General Court") against specific elements of the EC's decision regarding the Initial Restructuring Plan. On 2 March 2012, the General Court partially annulled the EC's decision of 18 November 2009. Subsequently, the EC filed an appeal against the General Court's judgement before the Court of Justice of the EU. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING as compatible with the internal market on the basis of the Initial Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the Initial Restructuring Plan. On 24 July 2012, the Issuer announced that the Dutch State and the Issuer were in dialogue with the EC on an amended and updated Restructuring Plan to be submitted to the EC. However, in order to safeguard its legal rights, ING filed an appeal with the General Court against the EC's decision of 11 May 2012, which re-approved the Initial Restructuring Plan.

On 19 November 2012, ING and the Dutch State announced that they had reached an agreement with the EC on significant amendments to the Initial Restructuring Plan (the "Amended Restructuring Plan", and together with the Initial Restructuring Plan, the "Restructuring Plan"). The Amended Restructuring Plan extended the time horizon and increased the flexibility for the completion of divestments and adjusted other commitments set forth in the Initial Restructuring Plan.

On 6 November 2013, ING and the Dutch State further announced the adoption of a revised timeline for certain required divestments. As a result of the Amended Restructuring Plan, the EC has closed its formal investigations as announced on 11 May 2012, and the Issuer has withdrawn its appeal with the General Court filed in July 2012. Although the EC's appeal against the March 2012 ruling of the General Court continues, ING, the Dutch State and the EC have agreed that any outcome of this procedure will not affect the approval of the Amended Restructuring Plan. On 3 April 2014, the Court of Justice of the EU rendered its judgement and dismissed the EC's appeal against the General Court ruling of March 2012.

Pursuant to the agreement to unwind the IABF, the IABF in its current form was terminated, regular guarantee fee payments were settled for an amount of EUR 0.4 billion, the other restrictions as part of the IABF agreement are no longer applicable and the Dutch State intends to sell the Alt-A securities in the market. A first tranche was sold in December 2013 and the remainder was sold in February 2014. Unwinding the IABF also resulted in eliminating a counter-guarantee that ING extended to the Dutch State in connection with the divestment of ING Direct USA in 2012.

The restrictions imposed by the Restructuring Plan could adversely affect the Issuer's ability to maintain or grow market share in key markets as well as the Issuer's results of operations. See "Risks Related to the Restructuring Plan – The limitations required by the EC on the Issuer's ability to compete and to make acquisitions or redeem certain debt instruments could materially impact the Issuer".

There can be no assurance that the Issuer will be able to implement the Restructuring Plan successfully or complete the remaining planned divestments on favourable terms or at all. Any failure to successfully implement the Restructuring Plan may result in EC enforcement actions or EC procedures and may have a material adverse impact on the assets, profitability, capital adequacy and business operations of the Issuer. Moreover, in connection with the implementation of the Restructuring Plan, including any proposed divestments, the Issuer or potential buyers may need to obtain various approvals, including of shareholders, works councils and regulatory and competition authorities, and the Issuer and potential buyers may face difficulties in obtaining these approvals in a timely manner or at all. In addition, the implementation of the Restructuring Plan may strain relations with the Issuer's employees, and specific proposals in connection with the implementation may be opposed by trade unions or works councils.

Furthermore, following the announcement of the Initial Restructuring Plan, for example, several of the Issuer's subsidiaries were downgraded or put on credit watch by rating agencies. See "Risks Related to the Issuer's Business Operations and Regulatory Environment – Ratings are important to the Issuer's business for a number of reasons. A downgrade or a potential downgrade in the Issuer's financial strength or its credit ratings could have an adverse impact on the Issuer's operations and net result".

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

Any failure to complete the divestments on favourable terms could have a material adverse impact on the Issuer's assets, profitability, capital adequacy and business operations. If the Issuer is unable to complete the announced divestments in a timely manner, it would be required to find alternative ways to reduce its leverage, and it could be subject to enforcement actions or proceedings by the EC. In case of material non-compliance with the Amended Restructuring Plan, in particular, if the Issuer does not succeed in completing divestitures as described in the Amended Restructuring Plan within the timelines set out therein or subsequently agreed upon, does not repay the Core Tier 1 Securities according to the schedule as included in the Amended Restructuring Plan, and/or does not succeed in satisfying its commitments with respect to Nationale-Nederlanden Bank through a divestment of more than 50% of its interest in NN Group by year-end 2015, as described in the Amended Restructuring Plan, the Dutch State will re-notify this to the EC, which may take enforcement actions against ING or require additional restructuring measures. A divestment of more than 50% of ING's interest as mentioned in this paragraph also means that the Issuer (a) no longer has a majority of representatives on the boards of these businesses and (b) has deconsolidated these businesses from the Issuer's financial statements in line with IFRS accounting rules.

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

***The limitations required by the EC on the Issuer’s ability to compete and to make acquisitions or redeem certain debt instruments could materially impact the Issuer.***

As part of its Restructuring Plan, the Issuer has undertaken with the EC to accept certain limitations on its ability to compete in certain retail, private and direct banking markets in the EU and on its ability to acquire (i) financial institutions and (ii) businesses, insofar as this would delay its repayment of the remaining Core Tier 1 Securities held by the Dutch State. These restrictions in principle apply until the earlier of (1) 18 November 2015, and (2) the date upon which more than 50% of ING’s interest in its insurance and investment management businesses has been divested. The Issuer was also required to agree to limitations on its ability to call Tier 2 capital and Tier 1 hybrid debt instruments, which remain subject to authorisations by the EC on a case-by-case basis until the earlier of 18 November 2014 or the repayment of the remaining Core Tier 1 Securities (including the relevant accrued interest on Core Tier 1 coupons and exit premium fees). If the EC does not approve the calling of Tier 2 capital and Tier 1 hybrid debt instruments in the future, this may have adverse consequences for the Issuer, resulting in additional payments on these instruments and limiting the Issuer’s ability to seek refinancing on more favourable terms. ING is furthermore restricted to a maximum ratio for mortgage production at ING Retail Banking Netherlands in relation to the mortgage production of Nationale-Nederlanden Bank until ING has divested more than 50% of its interest in NN Group or until year-end 2015. A divestment of more than 50% of ING’s interest as mentioned in this paragraph also means that the Issuer (a) no longer has a majority of representatives on the boards of these businesses and (b) has deconsolidated these businesses from the Issuer’s financial statements in line with IFRS accounting rules. The limitations described above will impose significant restrictions on the Issuer’s banking business operations and on the Issuer’s ability to take advantage of market conditions and growth opportunities. Such restrictions could adversely affect the Issuer’s ability to maintain or grow market share in key markets, as well as its results of operations.

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

Following completion of the planned divestments under the Restructuring Plan, the Issuer expects to become a significantly smaller, regional financial institution focused on retail, direct and commercial banking in The Netherlands, Belgium and Luxembourg (the “Benelux”) and certain other parts of Europe, as well as selected markets outside Europe. Although the Issuer will remain focused on banking operations, it may become a smaller bank than that represented by its current banking operations. In the highly competitive Benelux market and the other markets in which the Issuer operates, the Issuer’s competitors may be larger, more diversified and better capitalised and have greater geographical reach than the Issuer, which could have a material adverse effect on the Issuer’s ability to compete, as well as on its profitability. The divested businesses may also compete with the retained businesses, on their own or as part of the purchasers’ enlarged businesses. For example, Nationale-Nederlanden Bank is already competing before its planned divestment with ING Bank’s retail banking business in The Netherlands, as Nationale-Nederlanden

Bank has been ring-fenced from ING Bank's operations for this purpose. In addition, the restrictions on the Issuer's ability to be a price leader and make acquisitions and on its compensation policies could further hinder its capacity to compete with competitors not burdened with such restrictions, which could have a material adverse effect on the Issuer's results of operations. There can be no assurance that the implementation of the Restructuring Plan will not have a material adverse effect on the market share, business and growth opportunities and results of operations of the Issuer's remaining core banking businesses.

***The Issuer's Restructuring Plan may not yield intended reductions in costs, risk and leverage.***

Projected cost savings and impact on the Issuer's risk profile and capital associated with the Restructuring Plan are subject to a variety of risks, including:

- actual costs to effect these initiatives may exceed estimates;
- divestments planned in connection with the Restructuring Plan may not yield the level of net proceeds expected, as described under "Risks Related to the Restructuring Plan – The implementation of the Restructuring Plan and the divestments anticipated in connection with the Restructuring Plan have and will significantly alter the size and structure of the Issuer and involve significant costs and uncertainties that could materially impact the Issuer";
- initiatives that the Issuer is contemplating may require consultation with various regulators as well as employees and labour representatives, and such consultations may influence the timing, costs and extent of expected savings;
- the loss of skilled employees in connection with the initiatives; and
- projected savings may fall short of targets.

While the Issuer has begun and expects to continue to implement these strategies, there can be no assurance that it will be able to do so successfully or that it will realise the projected benefits of these and other restructuring and cost-saving initiatives. If the Issuer is unable to realise these anticipated cost reductions, its business may be adversely affected. Moreover, the Issuer's continued implementation of restructuring and cost-saving initiatives may have a material adverse effect on the Issuer's business, financial condition, results of operations and cash flows.

***Whenever the overall return on the (remaining) Core Tier 1 Securities issued to the Dutch State is expected to be lower than 10% per annum and/or in the event that ING does not repay the remaining Core Tier 1 Securities in accordance with the repayment schedule that was submitted to the EC as part of the Amended Restructuring Plan, the EC may consider the imposition of additional behavioural constraints.***

As stated in the decision of the EC of 12 November 2008 (in State Aid N 528/2008 – The Netherlands), the Core Tier 1 state aid measure must be (re)notified to the EC by the Dutch authorities if the overall return on the Core Tier 1 Securities of at least 10% per annum is not expected to be achieved. In such a case, the EC may require additional (behavioural) constraints as a condition of the compatibility of the measure.

In 2011, the Issuer reported to the Dutch authorities that it had abstained from paying dividends on its shares for a period of two consecutive years (i.e. 2009 and 2010), as a result of which the EC opened an investigation into ING's restructuring process. Following the approval of the Amended Restructuring Plan, the EC closed its formal investigations. Pursuant to the Amended Restructuring Plan, the Issuer had to repay the then outstanding amount of EUR 3 billion in four equal tranches. On 26 November 2012 and 6 November 2013, ING repaid the first two tranches of

EUR 1,125 million each to the Dutch State. Each tranche consisted of EUR 750 million in repayment of Core Tier 1 Securities and EUR 375 million in premiums and interest. On 31 March 2014, ING repaid the third tranche of EUR 1,125 million plus EUR 100 million (EUR 1,225 million in total) to the Dutch State. This payment includes a EUR 817 million repayment of Core Tier 1 Securities and EUR 408 million in premiums and interest. After the EUR 1,225 million payment made by ING on 31 March 2014, the remaining tranche of EUR 1,025 million is expected to be paid in May 2015, translating into an overall internal rate of return for the Dutch State of 12.5% per annum. Any repayment of the remaining Core Tier 1 Securities is conditional on approval from the DNB. Upon reaching the agreement on the Amended Restructuring Plan, ING indicated that it aims to repay the remaining Core Tier 1 Securities as soon as possible and accelerate repayments to the extent it is deemed prudent under prevailing financial circumstances. If ING does not repay a total of EUR 4.5 billion by 15 May 2015, the Dutch State commits to re-notify the recapitalisation measure. If ING is unable to repay the remaining Core Tier 1 Securities according to the above-mentioned deadline and other terms agreed with the EC, this could result in the EC imposing additional (behavioural) constraints on it or taking any enforcement action against it.

# DESCRIPTION OF ING GROEP N.V.

**Profile**

ING Groep N.V., also called “ING Group”, is the holding company of a broad spectrum of companies (together called “ING”). ING Groep N.V. is a listed company and holds all shares of ING Bank N.V. and NN Group N.V., which are non-listed 100% subsidiaries of ING Groep N.V.

ING is a global financial institution of Dutch origin, currently offering banking, investments, life insurance and retirement services. ING draws on its experience and expertise, its commitment to excellent service and its global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments. ING currently serves more than 48 million customers in over 40 countries. ING has more than 75,000 employees.

In line with its strategic direction originally announced in 2009, ING has substantially completed the separation of its banking operations (which are conducted principally through ING Bank N.V. and its subsidiaries (“ING Bank”)) and insurance operations (which are conducted principally through NN Group).

NN Group N.V., formerly called ING Insurance Topholding N.V., merged with ING Verzekeringen N.V. effective as of 1 March 2014. As a result, the legal entity ING Verzekeringen N.V. ceased to exist and NN Group N.V. became the legal successor of ING Verzekeringen N.V. as the holding company of ING’s European and Japanese insurance and investment management operations.

Pursuant to its agreement with the EC, ING is required to divest more than 50% of its insurance and investment management activities in Europe and Japan by year-end 2015 and to complete the 100% divestment of those activities by year-end 2016. NN Group is currently preparing to become a standalone company, most likely through an (i.e. a base case) IPO.

ING is also required to divest at least 25% of its insurance and investment management activities in the U.S. (which are conducted principally through ING U.S. Inc. and its subsidiaries (“ING U.S.”)) by 31 December 2013; more than 50% by 31 December 2014; and 100% by 31 December 2016. In May 2013, ING U.S. listed on the New York Stock Exchange (trading under the ticker symbol “VOYA”) and began operating as a publicly traded company. The listing initially reduced ING Group’s stake in ING U.S. to 71%. In September 2013, the remaining stake in ING U.S. was transferred from NN Group to ING Group. Following further share sales, ING Group’s stake was reduced to 43% in March 2014.

***ING Bank***

ING Bank currently offers Retail Banking services to individuals and small and medium-sized enterprises (“SMEs”) in Europe, Asia and Australia and Commercial Banking services to customers around the world, including multinational corporations, governments, financial institutions and supranational organisations. ING Bank currently serves more than 33 million customers through an extensive network in more than 40 countries. ING Bank has more than 63,000 employees.

ING Bank’s reporting structure reflects the two main business lines through which it is active: Retail Banking and Commercial Banking.

*Retail Banking*

Retail Banking provides banking services to individuals and SMEs in Europe, Asia and Australia. A full range of products and services is provided, albeit offerings may vary according to local demand.

ING Bank views Retail Banking as having leading positions in the Benelux, Germany, Australia and Poland. Retail Banking also operates in a number of other markets – Spain, France, Austria, Italy, Romania, Turkey and India – where it challenges the established players. It has equity positions in TMB Bank (Thailand) and Bank of Beijing (China).

Retail Banking has the same strategic focus in each country where it conducts business: to provide easy and fair banking, at low costs, according to the "direct if possible, advice when needed" principle.

*Commercial Banking*

ING Bank views Commercial Banking as a European franchise with a market-leading position in the Benelux and a good position in the rest of Europe, in particular in Central and Eastern Europe. ING Bank further views Commercial Banking as having a global franchise and market-leading positions in selected areas in Industry Lending and in liquidity management, as well as focused and efficient global Trade Finance Services and Financial Markets businesses.

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

ING Bank is progressing with building integrated domestic banks by combining Retail Banking's deposit-gathering capabilities with Commercial Banking's origination capabilities, resulting in a further strengthening of its business model.

On 31 March 2014, ING Bank presented an update of its strategy to analysts, investors, the media and employees at an Investor Day in Amsterdam, The Netherlands. ING Bank has defined three categories of markets in which it intends to compete: Market Leaders, Challengers and Growth Markets. ING Bank's aim is to become the primary bank for more customers in these markets through growing the share of payment accounts in Retail Banking and with anchor products, such as lending and transaction services, in Commercial Banking.

Market Leaders are the Benelux countries where ING Bank currently has leading market positions in Retail Banking and Commercial Banking. ING Bank plans to continue to evolve those businesses towards the "direct first" model (for Retail Banking), with a focus on costs and efficiency and capital generation. ING Bank aims to maintain its current market positions and grow in selected segments, and focus on deepening its customer relationships.

Challengers reflect units with retail activities that are mainly in the form of direct banking services, giving them a cost advantage over traditional banks. Challengers are the following countries: Germany, Spain, Italy, France, Australia and Austria. In the Challenger countries, ING Bank offers Retail Banking mainly in the form of direct banking services, which gives ING Bank an operational cost advantage over traditional banks. Here ING Bank aims to leverage its direct banking expertise and strong customer focus by expanding its lending business in areas like SMEs and consumer lending.

Growth markets are where ING Bank offers a full range of Retail Banking and Commercial Banking services in what it believes to be strongly expanding economies that offer good growth opportunities. ING Bank's Growth Markets are Poland, Romania, Turkey and its stakes in Asia.

***NN Group***

NN Group is an insurance and investment management company with a predominantly European presence in 18 countries. With more than 12,000 employees, it offers retirement services, insurance, investment and banking services to retail, SMEs, and corporate and institutional customers. NN Group's reporting structure reflects seven main business lines through which it is active: Netherlands Life, Netherlands Non-life, Insurance Europe, Japan Life, Investment Management, Other and Japan Closed Block VA.

*Netherlands Life*

Netherlands Life offers a range of group life and individual life insurance products. Its group life policies are primarily group pension products. Its individual life insurance business primarily consists of the closed-block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of Nationale-Nederlanden, RVS and ING Verzekeringen Retail, formerly known as Postbank Insurance. Netherlands Life also provides pension administration and management services through its AZL brand.

*Netherlands Non-life*

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

*Insurance Europe*

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

*Japan Life*

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

*Investment Management*

Investment Management offers a wide variety of actively managed investment products and advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, it manages the assets of NN Group's businesses. Investment Management offers its products and services globally through regional investment centres in several countries across Europe, the U.S., the Middle East and Asia, with The Netherlands as its main investment hub. As of 31 December 2013, Investment Management had EUR 174 billion of AUM, of which

EUR 104 billion was managed for third-party retail and institutional customers and the remaining EUR 70 billion for the general account of NN Group's businesses.

*Other*

Other comprises the business of Nationale-Nederlanden Bank and ING Re (NN Group's internal reinsurer) and the holding results. Nationale-Nederlanden Bank offers a range of banking products, especially mortgages and savings, to retail customers in The Netherlands. In addition, it co-ordinates the distribution of Nationale-Nederlanden's individual life and retail non-life insurance products in The Netherlands to enable a comprehensive product offering to retail customers in The Netherlands. Nationale-Nederlanden Bank distributes these products through intermediaries and its direct channel and ING Bank. ING Re is NN Group's internal reinsurer located in The Netherlands.

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

*Japan Closed Block VA*

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

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

**Incorporation and history**

ING Groep N.V. was incorporated under Dutch law in The Netherlands on 21 January 1991 for an indefinite duration in the form of a public limited company (*naamloze vennootschap*) as Internationale Nederlanden Groep N.V., also known as ING Group.

ING Group is the result of the merger between NMB Postbank Group and Nationale-Nederlanden in 1991. NMB Bank and Postbank, two leading Dutch banks, merged in 1989. The legal name of NMB Bank as holding company for the merged entities was changed into NMB Postbank Groep N.V. On 4 March 1991, NMB Postbank Groep N.V. merged with Nationale-Nederlanden N.V., the largest Dutch insurance group. On that date the newly formed holding company Internationale Nederlanden Groep N.V. honoured its offer to exchange the shares of NMB Postbank Groep N.V. and of Nationale-Nederlanden N.V. NMB Postbank Groep N.V. and Nationale-Nederlanden N.V. continued as sub-holding companies of Internationale Nederlanden Groep N.V. An operational management structure ensured a close co-operation between the banking and insurance activities, strategically as well as commercially. The sub-holding companies remained legally separate. After interim changes of name, the statutory names of the above-mentioned companies were changed into ING Groep N.V., ING Bank N.V. and ING Verzekeringen N.V. on 1 December 1995.

On 13 May 2009, ING announced that – in line with the April 2009 strategy announcement – it was taking measures to simplify its governance. These measures have been implemented. On 26 October 2009, ING announced that it would move towards a separation of its banking and insurance operations, clarifying the strategic direction for ING Bank and NN Group going forward.

This has also led to changes in the structure and composition of the respective Management Boards. ING Bank and NN Group (the European insurance operations of ING) now each have their own Management Board, consisting of the Group CEO, CFO and CRO and positions for four other members.

On 1 March 2014, NN Group N.V., formerly called ING Insurance Topholding N.V., merged with ING Verzekeringen N.V. As a result, the legal entity ING Verzekeringen N.V. ceased to exist and NN Group N.V. became the legal successor of ING Verzekeringen N.V.

The registered office is at Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands (telephone number: +31 20 563 9111). ING Groep N.V. is registered at the Chamber of Commerce and Industry of Amsterdam under no. 33231073 and its corporate seat is in Amsterdam, The Netherlands. The Articles of Association of ING Groep N.V. were last amended by notarial deed executed on 14 June 2012. According to article 3 of the Articles of Association, the object of ING Groep N.V. is to participate in, manage, finance, furnish personal or real security for the obligations of, and provide services to, other enterprises and institutions of any kind, but in particular enterprises and institutions which are active in the field of insurance, lending, investment and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing.

ING's implementation of the Dutch Corporate Governance Code (the "Code") was approved at the General Meeting of Shareholders on 26 April 2005. Given this approval, ING is deemed to be in full compliance with the Code. In December 2008, the Monitoring Committee of the Dutch Corporate Governance Code (the "Frijns Committee") published an updated version of the Code. The revised Code became effective on 1 January 2009. ING has considered the revised Code and to what extent it could be implemented. As recommended by the Frijns Committee, the implementation of the revised Code was discussed at the 2010 General Meeting as a separate agenda item. On 27 April 2010 the General Meeting approved the implementation by ING Groep N.V. of the revised Code.

**Supervisory Board and Executive Board**

ING Group has a two-tier board system, consisting of a Supervisory Board and an Executive Board. All members of the Supervisory Board, with the exception of Luc Vandewalle, are independent within the meaning of the Code. Luc Vandewalle is not to be regarded as independent within the meaning of the Code because of his former position at ING Belgium. The task of the Supervisory Board is to supervise the policy of the Executive Board and the general course of events at the Issuer and to assist the Executive Board by providing advice. The Executive Board is responsible for the daily management of the Issuer.

The composition of the Supervisory Board and the Executive Board of ING Groep N.V. is as follows:

| | |
|---|---|
| Supervisory Board: | Jeroen van der Veer (chairman), Peter A.F.W. Elverding* (vice-chairman), J.P. (Tineke) Bahlmann*, Henk W. Breukink, Carin W. Gorter, Jan H. Holsboer, Joost Ch.L. Kuiper, Hermann-Josef M. Lamberti, Isabel Martín Castellá, Robert W.P. Reibestein, Yvonne C.M.T. van Rooy and Luc A.C.P. Vandewalle*. |
| Executive Board: | Ralph Hamers (chairman), Patrick G. Flynn (CFO), and W.F. (Wilfred) Nagel (CRO). |

* Resignation expected at the 2014 Annual General Meeting on 12 May 2014.

At the 2013 Annual General Meeting, Ralph Hamers was appointed as a member of the Executive Board for a period of four years, ending after the 2017 Annual General Meeting. The Supervisory Board appointed Ralph Hamers as chairman of the Executive Board and chief executive officer as of 1 October 2013. It will be proposed to the 2014 Annual General Meeting on 12 May 2014 to appoint Eric Boyer de la Giroday to the Supervisory Board as per the date of the Annual General Meeting.

The business address of all members of the Supervisory Board and the Executive Board is: ING Groep N.V., Bijlmerplein 888, P.O. Box 1800, 1000 BV Amsterdam, The Netherlands.

In order to avoid potential conflicts of interest, ING has a policy that members of its Executive Board do not accept corporate directorships with listed companies outside ING. As a result, and given the different fields of business of each company, ING believes that there is no potential conflict of interests.

Details of relationships that members of the Executive Board may have with ING Group subsidiaries as ordinary, private individuals are not reported, with the exception of information on any loans that may have been granted to them. In all these cases, the company complies with the best-practice provisions of the Code.

There are no potential conflicts of interest between any duties owed by the members of the Supervisory Board or the Executive Board to the Issuer and any private interests or other duties which such persons may have.

Listed below are the principal activities performed by members of the Supervisory Board outside ING.

**Veer, J. van der**

Chairman of the Supervisory Board of Koninklijke Philips Electronics, The Netherlands.

Member of the Supervisory Board of Het Concertgebouw N.V., The Netherlands.

Chairman of the Supervisory Council of Nederlands Openluchtmuseum, The Netherlands.

Member of the Board of Nationale Toneel (theatre), The Netherlands.

Chairman of the Supervisory Council of Platform Bèta Techniek, The Netherlands.

Chairman of the Advisory Council of Rotterdam Climate Initiative, The Netherlands.

**Elverding, P.A.F.W.***

Chairman of the Supervisory Board of Koninklijke BAM Groep N.V., The Netherlands.

Vice-chairman of the Supervisory Board of SHV Holdings N.V., The Netherlands.

Chairman of the Supervisory Board of Q-Park N.V., The Netherlands.

Member of the Supervisory Board of Koninklijke FrieslandCampina N.V., The Netherlands.

Chairman of the Supervisory Board of Camille Oostwegel Holding B.V., The Netherlands.

Member of the Board of Stichting Instituut GAK, The Netherlands.

**Bahlmann, J.P.***

Professor in Business Administration, University of Utrecht, The Netherlands.

Member of the Board of Stedin Netbeheer B.V., The Netherlands.

Member of the Board of Maatschappelijk Verantwoord Ondernemen Nederland (CSR), The Netherlands.

Chairman of the Supervisory Board of Maasstad Ziekenhuis (hospital), The Netherlands.

Chairman of Stichting Max Havelaar, The Netherlands.

Member of the Board of Toneelgroep Amsterdam (theatre), The Netherlands.

**Breukink, H.W.**

Member of the Supervisory Board of NSI N.V. (real estate fund), The Netherlands.

Member of the Supervisory Board of Brink Groep B.V., The Netherlands.

Chairman of the Supervisory Board of Heembouw Holding B.V., The Netherlands.

Chairman of the Supervisory Council of Inholland University, The Netherlands.

**Gorter, C.W.**

Member of the Supervisory Board of Cooperation of VGZ, The Netherlands.

Member of the Supervisory Council of OLVG (hospital), The Netherlands.

Member of the Supervisory Council of CBR (driving licence agency), The Netherlands.

**Holsboer, J.H.**

Non-executive (senior independent) director of PartnerRe Ltd., Bermuda.

Chairman of the Supervisory Board of TD Bank N.V., The Netherlands.

Non-executive director of YAFA S.p.A., Turin, Italy.

Member of the Supervisory Board of YAM Invest N.V., The Netherlands.

Chairman of the Supervisory Board of Vither Hyperthermia B.V., The Netherlands.

Chairman of the Board of Foundation Imtech, The Netherlands.

**Kuiper, J.Ch.L.**

Chairman of the Supervisory Board of IMC B.V., The Netherlands.

Member of the Supervisory Board of Hespri Holding B.V., The Netherlands.

Member of the Supervisory Board of Stichting Bewaarbedrijf Abete.

Member of the Supervisory Council of Nexus Institute, The Netherlands.

Member of the Board of Stichting voor Ooglijders, The Netherlands.

Member of the Board of Prins Bernhard Cultuurfonds, The Netherlands.

Member of the Board of Aanwending Loterijgelden Nederland, The Netherlands.

Member of the Advisory Board of Boelens de Gruyter, The Netherlands.

Member of the Advisory Board of Boron, The Netherlands.

**Lamberti, H-J.M.**

Non-executive member of the Board of EADS N.V., The Netherlands.

Senior Business Adviser of Advent International GmbH, Germany.

Member of the Advisory Board of Barmenia Versicherungen, Germany.

Managing Director of Frankfurt Technology Management GmbH, Germany.

Member of the Supervisory Board of Open-Xchange AG, Germany.

**Martín Castellá, I.**

Member of the Board of Konecta Foundation.

Member of the Advisory Board of Madrid Network, Spain.

**Reibestein, R.W.P.**

Member of the Supervisory Board of IMC B.V., The Netherlands.

Chairman of the Board of Royal Concertgebouw Orchestra, The Netherlands.

Member of the Board of Overseers, Columbia University Business School, New York, U.S.

Member of the Supervisory Board of World Wildlife Fund, The Netherlands.

Member of the European Council on Foreign Relations, London, United Kingdom.

Vice-chairman of the Board of VVD (political party), The Netherlands.

**Rooy, Y.C.M.T. van**

Chairman of Nederlandse Vereniging van Ziekenhuizen (Dutch association of hospitals), The Netherlands.

Member of the Board of Trust Foundation Koninklijke Brill N.V., The Netherlands.

Member of the Board of Royal Concertgebouw Orchestra, The Netherlands.

Member of the Advisory Board of Nexus Institute, The Netherlands.

Member of the Board of Stichting Instituut GAK, The Netherlands.

Member of the Advisory Board of Stichting Nationaal Fonds Kunstbezit, The Netherlands.

Member of Committee Social Responsibility PwC, The Netherlands.

**Vandewalle, L.A.C.P.***

Chairman of the Supervisory Board of Bakker Hillegom B.V., Lisse, The Netherlands.

Chairman of the Supervisory Board of Matexi Groep, Waregem, Belgium.

Chairman of the Supervisory Board of Plu Holding, Baillarges, France.

Chairman of the Supervisory Board of Transics International, Ieper, Belgium.

Chairman of the Supervisory Board of Alinso N.V., Zwijnaarde, Belgium.

Member of the Supervisory Board of Allia Insurance Brokers, Roeselare, Belgium.

Member of the Supervisory Board of Arseus, Waregem, Belgium.

Member of the Supervisory Board of Besix Groep, Sint-Lambrechts-Woluwe, Belgium.

Member of the Supervisory Board of Galloo, Menen, Belgium.

Member of the Supervisory Board of Masureel Veredeling, Wevelgem, Belgium.

Member of the Supervisory Board of Sea-Invest, Gent, Belgium.

Member of the Supervisory Board of Sioen Industries, Ardooie, Belgium.

Member of the Supervisory Board of Vergroup, Kontich, Belgium.

Member of the Supervisory Board of Veritas, Kontich, Belgium.

Member of the Supervisory Board of Willy Naessens Industriebouw, Wortegem-Petegem, Belgium.

* Resignation expected at the 2014 Annual General Meeting on 12 May 2014.

**Supervisory Board committees**

The Supervisory Board has five standing committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. The organisation, powers and *modus operandi* of the Supervisory Board are detailed in the Supervisory Board Charter. Separate charters have been drawn up for the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. These charters are available on the ING website (www.ing.com). A short description of the duties for the Committees follows below.

The Audit Committee assists the Supervisory Board in monitoring the integrity of the financial statements of ING Groep N.V., ING Bank N.V. and ING Verzekeringen N.V., in monitoring the compliance with legal and regulatory requirements, and in monitoring the independence and performance of ING's internal and external auditors. The current members of the Audit Committee are Joost Kuiper (chairman), Tineke Bahlmann, Isabel Martín Castellá, Carin Gorter, Jan Holsboer, Robert Reibestein and Luc Vandewalle.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of the company as a whole as well as the structure and operation of the internal risk management and control systems.

The Remuneration Committee advises the Supervisory Board, among other things, on the terms and conditions of employment (including their remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING and its subsidiaries are based.

The Nomination Committee advises the Supervisory Board, among other things, on the composition of the Supervisory Board and Executive Board.

The Corporate Governance Committee assists the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the annual report and to the Annual General Meeting, and advises the Supervisory Board on improvements.

**FIVE-YEAR KEY CONSOLIDATED FIGURES FOR ING GROEP N.V.[(1)]**:

| **In accordance with IFRS-EU** | **2013** | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| *In EUR million unless otherwise indicated* | | | | | |
| **Continuing operations[(2)]** | | | | | |
| **Income** | | | | | |
| Banking operations | **15,296** | 16,102 | 17,908 | 17,734 | 12,293 |
| Insurance operations | **11,136** | 12,946 | 16,589 | 15,900 | 19,852 |
| Intercompany eliminations | **-130** | -147 | -350 | -336 | -336 |

| **In accordance with IFRS-EU** | **2013** | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| *In EUR million unless otherwise indicated* | | | | | |
| **Total income** | **26,301** | 28,900 | 34,147 | 33,298 | 31,809 |
| **Staff expenses and Other operating expenses** | | | | | |
| Banking operations | **8,680** | 9,419 | 9,901 | 9,660 | 9,685 |
| Insurance operations | **2,032** | 2,269 | 2,217 | 2,002 | 2,594 |
| **Total Staff expenses and Other operating expenses** | **10,712** | 11,688 | 12,118 | 11,662 | 12,279 |
| **Addition to loan loss provision Banking operations** | **2,289** | 2,125 | 1,670 | 1,751 | 2,973 |
| **Result** | | | | | |
| Banking result before taxation | **4,191** | 4,347 | 6,016 | 5,818 | -858 |
| Insurance result before taxation | **-83** | -272 | 443 | 596 | -124 |
| **Result before taxation** | **4,107** | 4,074 | 6,459 | 6,414 | -982 |
| Taxation | **1,013** | **1,001** | **1,406** | **1,448** | **-582** |
| **Net result from continuing operations** | **3,094** | **3,073** | **5,053** | **4,966** | **-400** |
| Discontinued operations(2) | **345** | 1,197 | 815 | -2,067 | -766 |
| Minority interests | **207** | 109 | 87 | 96 | -126 |
| **Net result from continuing and discontinued operations** | **3,232** | 4,161 | 5,781 | 2,803 | -1,040 |
| **Figures per ordinary share (in EUR)** | | | | | |
| Basic earnings(3) | **0.71** | 0.93 | 1.12 | 0.62 | -0.56 |
| Shareholders' equity (in parent) | **11.97** | 13.62 | 12.43 | 10.48 | 8.61 |
| **Balance sheet (year-end, in EUR billion)** | | | | | |
| Total assets | **1,081** | 1,166 | 1,280 | 1,245 | 1,163 |
| Shareholders' equity (in parent) | **46** | 52 | 47 | 40 | 33 |
| Core Tier 1 Securities | **1,500** | 2,250 | 3,000 | 5,000 | 5,000 |

Notes:

(1) These figures have been derived from the audited annual consolidated accounts of ING Groep N.V. in respect of the financial years ended 31 December 2011 to 2013, respectively, provided that certain figures have been restated to reflect new pension accounting requirements under IFRS that took effect on 1 January 2013.

(2) The results of ING U.S., Insurance/IM Asia, excluding ING Life Japan, and Insurance Latin America have been transferred to "net result from discontinued operations".

(3) See Note 37 to the audited annual consolidated accounts of ING Groep N.V. in respect of the annual year ended 31 December 2013.

**Share capital and preference shares**

The authorised share capital of ING Groep N.V. amounted to EUR 4,560 million at 31 December 2013, consisting of 14,500 million ordinary shares with a nominal value of EUR 0.24 each and 4,500 million cumulative preference shares, with a nominal value of EUR 0.24 each. The issued and paid-up capital amounted to EUR 922 million, consisting of 3,841 million ordinary shares at 31 December 2013. No cumulative preference shares have been issued.

**Non-voting equity securities**

On 12 November 2008, ING Groep N.V. issued 1 billion non-voting equity securities (Core Tier 1 Securities) to the Dutch State at EUR 10 per non-voting equity security, resulting in an increase of ING Group's core Tier 1 capital of EUR 10 billion. The nominal value of each security is EUR 0.24. The non-voting equity securities do not form part of ING Groep N.V.'s share capital; accordingly, they do not carry voting rights in the General Meeting.

In December 2009, ING repaid the first half of the non-voting equity securities of EUR 5 billion plus a total premium of EUR 605 million. On 13 May 2011, ING exercised its option for early repayment of EUR 2 billion of the remaining non-voting equity securities. The total payment in May 2011 amounted to EUR 3 billion and included a 50% repurchase premium. On 26 November 2012, ING repaid EUR 1.125 billion, also including a 50% repurchase premium. On 6 November 2013, ING repaid another EUR 1.125 billion, also including a 50% repurchase premium. On 31 March 2014, ING repaid another EUR 1.225 billion, also including a 50% repurchase premium. ING funded these repayments from retained earnings. ING intends to repay the remaining EUR 1.025 billion non-voting equity securities by 15 May 2015.

However, as a holder of the non-voting equity securities, the Dutch government has the right to, subject to applicable law and to corporate governance practices, generally accepted under applicable stock listing regimes, recommend two candidates for appointment to the Supervisory Board. Certain Supervisory Board approval items require approval by these nominees. The Dutch State recommended Lodewijk de Waal and Tineke Bahlmann for appointment to the Supervisory Board, who were both appointed by the General Meeting on 27 April 2009. The non-voting equity securities are deeply subordinated and rank *pari passu* with ordinary shares in a winding-up of ING Group.

**SIGNIFICANT DEVELOPMENTS IN 2013 AND 2014**

**Divestments announced in 2014**

*ING's Taiwanese investment management business*

On 10 January 2014, ING announced that it has reached an agreement to sell ING Investment Management Taiwan, its Taiwanese asset management business, to Japan-based Nomura Asset Management in partnership with a group of investors. The transaction is not expected to have a significant impact on ING Group results. The transaction is subject to regulatory approval and is expected to close in the second quarter of 2014.

**Partial divestments effective in 2013 – ING U.S.**

In May 2013, ING U.S. was successfully listed on the NYSE, reducing ING's ownership interest from 100% to approximately 71.25%. In October 2013, the sale of a second tranche further reduced ING Group's interest in ING U.S. to approximately 57%. Reference is made to Note 59 "Other events" of Note 2.1 to the consolidated financial statements in the year ended 31 December 2013.

**Divestments effective in 2013 and divestments announced in 2013 but not closed – Asia**

In 2012, ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA business in corporate reinsurance were classified as held for sale and discontinued operations. Various individual divestment transactions were agreed. The Asian Insurance and Investment Management businesses and the (internally) reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific, Investment Management and Other before they were classified as discontinued operations. After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its COLI and Closed Block VA businesses, is not feasible in a manner that would meet the demands of regulators and other interest holders. As a result, ING Life Japan and the Japan Closed Block VA guarantees reinsured to ING Re ("ING Japan") are no longer classified as held for sale and discontinued operations in 2013. Reference is made to Note 12 "Assets and liabilities held for sale", Note 36 "Discontinued operations" and Note 59 "Other events" of Note 2.1 to the consolidated financial statements for the year ended 31 December 2013.

*Joint venture China Merchants Fund*

In October 2012, ING reached an agreement to sell its 33.3% stake in China Merchants Fund, an investment management joint venture, to its joint venture partners China Merchants Bank Co., Ltd., and China Merchants Securities Co., Ltd. Under the terms agreed, ING received a total cash consideration of EUR 98 million. The transaction realised a net gain of EUR 59 million. The transaction closed on 3 December 2013.

*Insurance in Hong Kong, Macau, Thailand*

In October 2012, ING reached an agreement to sell its life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand, to Pacific Century Group for a combined consideration of EUR 1.6 billion (USD 2.1 billion) in cash. A net gain of EUR 945 million was recognised in 2013. The transaction closed on 28 February 2013.

*ING's investment management business in Thailand*

In November 2012, ING reached an agreement to sell its investment management business in Thailand to UOB Asset Management Ltd. ING received a total cash consideration of EUR 10 million for the investment management business in Thailand. The transaction closed on 3 May 2013.

*ING's investment management business in Malaysia*

In December 2012, ING reached an agreement to sell its 70% stake in ING Funds Berhad ("IFB"), ING's investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga). Tab Inter-Asia Services Sdn Berhad has also agreed to sell its 30% stake in IFB to Kenanga Investors. The transaction closed on 19 April 2013.

*Joint venture ING Vysya Life*

In January 2013, ING agreed to sell its full interest in ING Vysya Life Insurance Company Ltd. to its joint venture partner Exide Industries Ltd. ING's exit from the Indian life insurance joint venture is part of the previously announced intended divestment of ING's Insurance and investment management businesses in Asia. The transaction resulted in a net loss of EUR 15 million, which was recognised in 2012. The transaction closed on 22 March 2013.

*Joint venture KB Life*

In April 2013, ING agreed to sell its 49% stake in Korean insurance venture KB Life Insurance Company Ltd. (“KB Life”) to joint venture partner KB Financial Group. ING received a total cash consideration of EUR 115 million (KRW 166.5 billion) for its 49% stake in KB Life. The transaction closed on 20 June 2013.

*Joint venture ING-BOB Life*

In July 2013, ING agreed to sell its 50% stake in its Chinese insurance joint venture ING-BOB Life Insurance Company to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction, which is subject to regulatory approval, is not expected to have a significant impact on ING Group results. This announcement does not affect ING Bank’s 13.7% stake in Bank of Beijing, nor does it affect ING’s Commercial Banking activities in China.

*ING’s investment management business in South Korea*

In July 2013, ING reached an agreement to sell its investment management business in South Korea to Macquarie Group, an Australia-based global provider of financial services. The transaction did not have a significant impact on ING Group results. The transaction closed on 2 December 2013.

*ING Life Korea*

In August 2013, ING announced that it has reached an agreement to sell ING Life Korea, its wholly owned life insurance business in South Korea, to MBK Partners for a total purchase price of EUR 1.24 billion (KRW 1.84 trillion).

Under the terms of the agreement, ING will hold an indirect stake of approximately 10% in ING Life Korea for an amount of EUR 80 million (KRW 120 billion). ING has also reached a licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, ING will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after-tax loss for ING Group of EUR 1.0 billion. This transaction closed on 24 December 2013.

In addition to the above-mentioned transactions, the interest in the joint venture ING Financial Services Private Limited was sold to Hathaway investments.

**Divestments effective in 2013 – ING’s mortgage business in Mexico**

In June 2013, ING reached an agreement to sell ING Hipotecaria, its mortgage business in Mexico, to Banco Santander (México) S.A. This announcement does not affect ING’s Commercial Banking activities in Mexico. This transaction resulted in a net loss of EUR 64 million, which was recognised in 2013. The transaction closed on 29 November 2013.

**Divestments effective in 2013 – ING Direct UK**

In October 2012, ING reached an agreement to sell ING Direct UK to Barclays. Under the terms of the agreement, the approximately EUR 13.4 billion (GBP 11.6 billion) of savings deposits and approximately EUR 6.4 billion (GBP 5.5 billion) of mortgages of ING Direct UK have been transferred to Barclays. The agreement resulted in an after-tax loss of EUR 260 million, which was recognised in 2012. The transaction closed on 6 March 2013 and a gain of EUR 10 million was recognised on the final settlement. In 2012, ING Direct UK was classified as held for sale. ING Direct UK was included in the segment Retail Rest of World.

## STRONG PROGRESS ON RESTRUCTURING PLAN AND REVISION OF TIMELINES

### Restructuring Plan

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

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

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

### Revision of timelines

On 6 November 2013, ING announced that, together with the Dutch State, it had reached an agreement with the EC on revised timelines for the European and Japanese Insurance and Investment management divestments:

- The timeline to divest more than 50% of these businesses remains unchanged at year-end 2015.
- The deadline to divest 100% of these businesses was accelerated from year-end 2018 to year-end 2016.
- The entity for the base case IPO of ING's European insurance and investment management activities, will include ING Life Japan. ING Life Japan is therefore to be divested in line with timelines for the European Insurance and Investment management businesses.

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

## REPAYING DUTCH STATE AID

ING is grateful for the support the Dutch State extended during the financial crisis years 2008 and 2009. In 2013, two major milestones were reached:

- An agreement was reached with the Dutch State on the unwinding of the IABF. The facility was established in 2009, at the depth of the financial crisis, in order to reduce the risk and uncertainty for ING from the portfolio of Alt-A securities. Market developments allowed the unwinding of the facility, including the start of the sale of the Alt-A securities, with an expected cash profit for the Dutch State of approximately EUR 0.4 billion.

  Unwinding the IABF also freed up EUR 2 billion of ING Bank's risk-weighted assets and is expected to add approximately 10 basis points to ING Bank's Core Tier 1 ratio. As a result of the unwinding, the restrictions as part of the IABF agreement will no longer be applicable, including the right of the Dutch State to nominate two members for appointment to the Supervisory Board. The Dutch State nominated member of the Supervisory Board will no longer have special approval rights regarding certain decisions and will have a position equal to the other members of the Supervisory Board. The unwinding was completed in early 2014 and resulted in a cash profit for the Dutch State of EUR 1.4 billion.

- Strong capital generation at ING Bank facilitated the payment of another tranche of Core Tier 1 Securities on 6 November 2013, reducing the principal amount of outstanding Dutch State aid at 31 December 2013 to EUR 1.5 billion. ING received EUR 10 billion in state aid from the Dutch State in November 2008. Including the latest repayment in March 2014, ING has so far repaid EUR 12.5 billion to the Dutch State, including EUR 9.3 billion in principal and EUR 3.2 billion in interest and premiums. The final tranche of EUR 1.025 billion is scheduled to be paid by May 2015. The total annualised return for the Dutch State is expected to be 12.5%.

The total contribution to the Dutch State at 31 December 2013 of EUR 4.9 billion includes premiums and interest on the repayment of Core Tier 1 Securities, the unwinding of the IABF, guarantee fees paid on the government guaranteed bonds issued in 2009 and bank levies.

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

## FINANCIAL AND REGULATORY ENVIRONMENT

### Overall development in 2013

In 2013, the Eurozone emerged from recession and embarked on a gradual and fragile recovery. Continuing weakness of domestic demand, combined with low inflation, prompted the ECB to lower interest rates and consider further options. The Federal Reserve, on the other hand, had been considering tapering its monetary asset purchases, given the progress of the U.S. recovery. Financial markets were resilient in 2013, although the prospect of tapering hurt emerging markets. Such tapering has since begun and is expected to continue.

During 2013, progress was made on a wide range of regulatory initiatives that had been set in motion after the financial crisis. Important legislative proposals were already underway to strengthen banks' capital and liquidity positions and to ensure the resolvability of banks. The decision in June 2012 to move towards a European banking union was followed up in 2013 by further work on the initiatives to create an SSM and an SRM for the Eurozone. The SSM was agreed upon in 2013 and is expected to become operational by November 2014. Although progress on regulatory change was substantial in 2013, several agreements and compromises that were reached on some of the key issues may hamper the realisation in the short term of a true level playing field.

### Eurozone emerged from recession in 2013

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

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

**Taper prospects reality check for otherwise buoyant financial markets**

Financial markets in developed economies had a good year, with stock indices up by double digits. It is difficult to overestimate the importance of the ECB's Outright Monetary Transactions programme for the restoration of confidence in the Eurozone. The gradual progress towards crisis resolution and banking union in Europe also helped to cement the positive sentiment. Financial markets shrugged off the Cyprus bank restructuring and political problems in various countries during 2013; spreads between European sovereigns continued to decline. In the second half of 2013, sentiment was also supported by the fact that the Eurozone was emerging from recession. Financial markets did react when the Federal Reserve announced it was considering tapering its monthly asset purchases in May 2013. While this did not bring forward a rate increase, emerging markets saw an outflow of capital and their equity, bond and currency markets experienced marked losses. This did not cause major problems, however, as emerging markets' shock absorbers are now far stronger than before, with more flexible exchange rate regimes, more abundant official reserves and less debt in foreign currency.

***Important developments in regulation and supervision***

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

**Bank-wide regulation**

*Capital Requirements Regulation and Directive IV (CRD IV)*

In 2013, the EU adopted a legislative package to implement the Basel III agreement in the EU legal framework. This new package consists of the CRD IV Directive and the CRD IV Regulation (together, CRD IV). CRD IV has been officially agreed upon, allowing for the application of the CRD IV Regulation to become effective on 1 January 2014. The CRD IV Directive will need to be transposed into national law and, because of this, a few months' delay is envisaged, although implementation in The Netherlands is expected in July 2014. The Issuer is compliant with the requirements set out in the CRD IV Regulation and is waiting for EBA final technical standards to be approved to allow for full implementation. Other important key elements of the Basel III package are still subject to further consideration and calibration, such as the liquidity ratios and the leverage ratio.

*Banking Union: Single Supervisory Mechanism (SSM)*

In 2013, the SSM was agreed upon, whereby prudential regulatory powers will be transferred from Eurozone national authorities to the ECB. As a result, approximately 130 of the Eurozone's largest banks will be directly supervised by the ECB from November 2014. In the opinion of the Issuer, the

SSM constitutes an important first step in creating a European banking union. It will help to reduce the current interdependence between national governments and national banking systems, and at the same time will help restore confidence and growth in the Eurozone and the wider European single market. Moreover, it will contribute to eliminating unco-ordinated national supervisory practices, which are restricting cross-border banks such as the Issuer from transferring funds within the bank and from financing the economy in the most efficient way.

*Bank Recovery and Resolution Directive*

In December 2013, the Bank Recovery and Resolution Directive was agreed upon, which needs to be transposed into national law by 1 January 2015. It requires banks to create recovery and resolution plans, and for an ex-ante ("before the event") financed resolution mechanism to be set up. Moreover, the Bank Recovery and Resolution Directive requires member states' legislation to allow for resolution authorities to use the bail-in tool in case of a bank failure. The Issuer has had its recovery plan in place since November 2012 and work on resolution planning is in progress in co-operation with DNB and the Dutch Ministry of Finance. The bail-in tool is an important mechanism in any future resolution scheme, as it gives resolution authorities the power to write down claims of unsecured creditors of a failing institution and to convert these claims into equity. The instrument applies to unsecured liabilities with a number of exceptions, such as guaranteed deposits and secured liabilities (including covered bonds). The precise modalities of the bail-in rules are still under discussion. The Issuer supports the bail-in rules as they are an important component of the new regulatory framework, aimed at reducing the possibility that taxpayer money will be needed to bail out institutions in future crises. It is currently contemplated that the measures (including the write-down and conversion powers relating to Tier 1 capital instruments and Tier 2 capital instruments) set out in the Bank Recovery and Resolution Directive will be implemented with effect from 1 January 2015, with the bail-in power for other eligible liabilities (which could include any securities that have been issued or will be issued by the Issuer, that are not Tier 1 or Tier 2 capital instruments) expected to be introduced by 1 January 2016.

*Contributions (Deposit Guarantee Scheme) and bank levies*

On 1 February 2013, the Dutch State nationalised SNS REAAL, the fourth-largest systemically important bank in The Netherlands. The nationalisation, carried out under the Intervention Act, resulted in expropriating subordinated debt issued by SNS REAAL (up to EUR 1 billion) and shareholders being bailed-in. To reduce the amount of taxpayer money needed for the nationalisation, the government imposed a one-time levy of EUR 1 billion on Dutch banks as a contribution to the SNS nationalisation. This levy, payable in 2014, resulted in a charge of EUR 304 million for ING Bank, to be paid in the first three quarters of 2014. To avoid a disproportionate financial burden for banks and in view of the ability of banks to lend to the economy, the introduction of the ex-ante Deposit Guarantee Scheme was postponed until 1 July 2015. A number of countries in which ING operates have bank taxes in place. In 2013, the total amount of such taxes paid by ING amounted to approximately EUR 200 million. This included EUR 149 million of Dutch banking tax and approximately EUR 50 million of banking taxes in six other EU countries.

*Remuneration*

On 26 November 2013, the Dutch Ministry of Finance opened up a consultation on draft legislation on remuneration within the financial sector. The anticipated effective date of the legislation is 1 January 2015. The legislation introduces a cap for variable remuneration of 20% of fixed remuneration for staff covered by a Collective Labour Agreement ("CLA") in The Netherlands. The following exceptions are currently included:

- For staff in The Netherlands who are not exclusively covered by the CLA, the 20% cap does not apply on an individual basis, but it applies to the average across ING in The Netherlands.
- For staff that work predominantly outside of The Netherlands, but within the EU, there is an individual cap of 100% of variable remuneration for all staff.
- For staff that work predominantly outside the EU, there is an individual cap of 200% of variable remuneration for all staff, subject to shareholder approval and notification to the regulator.

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

*European and local efforts to improve customer protection*

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

**Financial markets regulation**

*European Market Infrastructure Regulation (EMIR)*

One of the most significant regulatory developments in the financial markets in 2013 was the commencement of the phasing-in of EMIR. The main goal of EMIR is to better protect parties to over-the-counter ("OTC") derivatives transactions, as well as the derivatives market as a whole. This EU regulation on OTC derivatives, central counterparties and trade repositories came into force in August 2012 and began to be phased in during 2013.

Delegated acts for EMIR entered into force in March 2013, requiring trade repositories to apply for recognition under EMIR and also requiring central counterparty clearing houses to apply for authorisation under EMIR. The Issuer has worked hard to comply with increased reporting requirements on outstanding derivatives contracts. In addition, the Issuer has helped clients meet EMIR's requirements.

*Markets in Financial Instruments Directive (MiFID)*

The Markets in Financial Instruments Directive ("MiFID") is an EU law that aims at harmonising regulation for investment services across the EEA. MiFID first became effective in November 2007 and is now being revised to create MiFID II.

Among the main objectives of the revision is the aim to strengthen investor protection and provide more robust and efficient market structures. At the end of 2013, the negotiations between the EC, the European Parliament and the Council of the EU were in their final stages. In anticipation of the new rules, implementation of MiFID within the Issuer will gradually start in the course of 2014, with full implementation expected in 2016. As the Dutch government has developed national legislation that prohibits granting or receiving inducements for investment services from January 2014, the impact of MiFID II will be limited in this area. The full impact on the Issuer's financial markets business has yet to be determined, but it is expected to be meaningful.

*Benchmarks*

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

*Bank structural reform*

Throughout 2013, discussions on further structural reforms to the EU's banking market continued. In the summer, the EC held a consultation on the main options under consideration as a follow-up to the Liikanen report. The focus of the consultation was on the structural separation of certain trading activities in case the size of these activities compared to a bank's total activities exceeded certain thresholds. The EC is expected to come up with a legislative proposal in early 2014. Based on the Liikanen report (October 2012), the separation proposal should not negatively affect the Issuer's business model. The Issuer believes in the strength of the universal banking model, combining retail and commercial banking activities. The universal banking model brings major benefits in terms of risk diversification, capital and liquidity management and consumer choice, while fulfilling the needs of long-term customer banking relationships. In June 2013, a Committee of Experts ("Commissie Wijffels") advised the Dutch government on the future structure of the Dutch banking sector. The Committee presented recommendations on how to make it more resilient and how to improve its ability to service the economy. Taking into account the Committee of Experts' recommendations, the Dutch government released a vision document on the Dutch banking industry in August 2013. The main features of the vision set out in this document are the need for a higher leverage ratio of at least 4% in EU negotiations; a reduction in the maximum loan-to-value (i.e. mortgage loan to house value) to 100% in 2018, and 80% in the longer term; and further support, in principle, for a more co-ordinated EU approach towards regulating the industry.

**Banker's Oath**

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

**Retail bank regulation**

*Mortgage lending*

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

*Payment accounts*

In May 2013, the EC published a draft of the Basic Payment Accounts Directive. This Basic Payment Accounts Directive aims to increase the comparability of fees and services, and make it easier to switch accounts. The measure would also oblige banks to open a basic payment account for any EU resident who applies for one, irrespective of his or her financial condition.

The legislative process is expected to be finalised in May 2014, after which the Basic Payment Accounts Directive needs to be transposed into national law by mid-2015. Depending on the adoption of cross-border switching and account opening measures, the Basic Payment Accounts Directive is expected to have a limited impact on ING's payments account processes. ING already offers payment accounts at transparent low fees in several EU member states and facilitates easy switching.

**Insurance regulation**

*Solvency II*

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

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

*ComFrame*

ComFrame, short for Common Framework for the Supervision of Internationally Active Insurance Groups ("IAIGs"), is a global initiative started by the International Association of Insurance Supervisors ("IAIS") in 2010. It aims to develop methods for the group-wide supervision of internationally active insurance companies, and was established to create a comprehensive framework for supervisors to address group-wide activities and risks, and to foster global convergence.

The IAIS continued its public consultation of ComFrame in 2013 and it is on schedule for adoption in 2018. In October 2013, the IAIS said it would develop a risk-based global Insurance Capital Standard ("ICS"), using ComFrame as the vehicle for its implementation. ICS development will start in 2016, with implementation by 2019. As the Issuer is an IAIG, it is closely monitoring the development of ComFrame and ICS.

*Consumer protection package*

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

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

*Dutch solvency rules*

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

**Financial developments in 2013**

ING Group had a successful year in 2013, delivering an improved underlying result while making significant progress on its transformation. ING Group's underlying result before tax was EUR 4,400 million in 2013, up 17.1% from 2012. The improvement was mainly driven by a strong performance at ING Bank, which recorded a 21.6% increase in underlying pre-tax results, as well as an improved operating result for the on-going business at NN Group, which increased by 6.4% in 2013. The 21.6% increase at ING Bank mainly reflects an improvement in the interest margin, a positive swing in credit and debt valuation adjustments and the absence of de-risking losses in 2013. This was partly offset by 7.9% higher underlying risk costs, while underlying expenses were almost flat despite higher pension costs and additional restructuring charges.

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

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

- In 2012, gains on divestments amounted to EUR 1,612 million, while in 2013 result on the divestment of ING's life insurance units in Hong Kong, Macau and Thailand was more than offset by the loss on the sale of ING Life Korea.

- The result from discontinued operations decreased by EUR 574 million, mainly due to lower results from ING U.S., reflecting the 2013 sale of 43% of ING U.S., a lower investment margin at ING U.S., lower revaluations and higher losses on guaranteed benefit hedges, net of reserve changes. Furthermore, the sale of a number of Asian entities in 2013 also contributed to the decrease.

- The 2013 special items predominantly reflected costs for ING Group's restructuring programmes, which are essential to reduce ING Group's future annual expenses. In 2013, special items amounted to EUR -182 million, compared with EUR -949 million in 2012.

Shareholders' equity decreased by EUR 5.8 billion, from EUR 51.8 billion at the end of 2012 to EUR 45.9 billion at the end of 2013. Equity was negatively impacted by revaluations of debt securities, net of deferred interest crediting to life policyholders, due to higher interest rates (EUR -3.2 billion), exchange rate differences reflecting the appreciation of the Euro against most currencies (EUR -1.9 billion), the impact of the sale of 43% of ING U.S. (EUR -2.5 billion) and the decrease in the net pension asset (EUR -0.9 billion). These negative impacts were partly offset by the addition of the net result (EUR 3.2 billion). Underlying net return on equity, calculated as underlying net result divided by average IFRS-EU equity, increased to 6.4% from 5.5% in 2012.

**FIRST QUARTER 2014 RESULTS AND FINANCIAL DEVELOPMENTS**

In respect of selected historical information regarding the Issuer for the first quarter of 2014, investors are referred to the following sections in the Q1 Report: the section entitled "CHAIRMAN'S STATEMENT" on page 5; the section entitled "KEY FIGURES" on page 6; the section entitled "CONSOLIDATED RESULTS" on pages 7, 8 and 9; the section entitled "CONSOLIDATED BALANCE SHEET" on pages 10 and 11; and the section entitled "CAPITAL MANAGEMENT" on pages 12 and 13.

## CONSOLIDATED BALANCE SHEET OF ING GROEP N.V. [1]

| (amounts in EUR million) | 31 December 2013 | 31 December 2012 |
|---|---|---|
| **Assets** | | |
| Cash and balances with central banks | **13,316** | 17,657 |
| Amounts due from banks | **43,012** | 39,053 |
| Financial assets at fair value through profit and loss | | |
| - trading assets | **114,247** | 114,895 |
| - investments for risk of policyholders | **39,589** | 98,765 |
| - non-trading derivatives | **8,546** | 13,951 |
| - designated as at fair value through profit and loss | **2,790** | 4,760 |
| Investments | | |
| - available-for-sale | **137,897** | 193,584 |
| - held-to-maturity | **3,098** | 6,545 |
| Loans and advances to customers | **531,663** | 563,404 |
| Reinsurance contracts | **252** | 5,290 |
| Investments in associates | **1,749** | 2,203 |
| Real estate investments | **1,142** | 1,288 |
| Property and equipment | **2,446** | 2,674 |
| Intangible assets | **1,841** | 2,639 |
| Deferred acquisition costs | **1,353** | 4,549 |
| Assets held for sale | **156,114** | 68,472 |
| Other assets | **21,569** | 26,462 |
| Total assets | **1,080,624** | 1,166,191 |
| | | |
| **Equity** | | |
| Shareholders' equity (parent) | **45,941** | 51,777 |
| Non-voting equity securities | **1,500** | 2,250 |
| | **47,441** | 54,027 |
| Minority interests | **5,402** | 1,081 |
| Total equity | **52,843** | 55,108 |
| | | |
| **Liabilities** | | |
| Subordinated loans | **6,889** | 8,786 |
| Debt securities in issue | **127,727** | 143,436 |
| Other borrowed funds | **13,706** | 16,723 |
| Insurance and investment contracts | **111,551** | 229,950 |

| **(amounts in EUR million)** | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Amounts due to banks | **27,257** | 38,704 |
| Customer deposits and other funds on deposit | **474,320** | 455,003 |
| Financial liabilities at fair value through profit and loss | | |
| - trading liabilities | **73,491** | 83,652 |
| - non-trading derivatives | **11,155** | 18,752 |
| - designated as at fair value through profit and loss | **13,855** | 13,399 |
| Liabilities held for sale | **146,142** | 69,899 |
| Other liabilities | **21,688** | 32,779 |
| Total liabilities | **1,027,781** | 1,111,083 |
| Total equity and liabilities | **1,080,624** | 1,166,191 |

Note:

(1) These figures have been derived from the audited annual consolidated accounts of ING Groep N.V. in respect of the financial years ended 31 December 2012 to 2013, respectively, provided that certain figures have been restated to reflect new pension accounting requirements under IFRS that took effect on 1 January 2013.

## CONSOLIDATED PROFIT & LOSS ACCOUNT OF ING GROEP N.V. [1]

| (amounts in EUR million) | 2013 | 2013 | 2012 | 2012 | 2011 | 2011 |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| Interest income banking operations | **51,394** | | **60,003** | | 64,649 | |
| Interest expense banking operations | **-39,693** | | **-48,119** | | -51,200 | |
| Interest result banking operations | | **11,701** | | **11,884** | | 13,449 |
| Gross premium income | | **9,530** | | **10,706** | | 11,292 |
| Investment income | | **3,918** | | **4,260** | | 2,575 |
| Net result on disposals of group companies | | **-18** | | **1,604** | | 801 |
| Gross commission income | **4,234** | | **3,941** | | 4,763 | |
| Commission expense | **-1,369** | | **-1,258** | | -1,630 | |
| Commission income | | **2,865** | | **2,683** | | 3,133 |
| Valuation results on non-trading derivatives | | **-2,687** | | **-3,555** | | 1,246 |
| Net trading income | | **670** | | **1,662** | | 210 |
| Share of profit from associates | | **114** | | **54** | | 216 |
| Other income | | **208** | | **-398** | | 1,225 |
| Total income | | **26,301** | | **28,900** | | 34,147 |
| | | | | | | |
| Gross underwriting expenditure | **13,585** | | **15,867** | | 13,444 | |
| Investment result for risk of policyholders | **-4,930** | | **-5,517** | | -206 | |
| Reinsurance recoveries | **-70** | | **-72** | | -79 | |
| Underwriting expenditure | | **8,585** | | **10,278** | | 13,159 |
| Additions to loan loss provisions | | **2,289** | | **2,125** | | 1,670 |
| Intangible amortisation and other impairments | | **146** | | **272** | | 362 |
| Staff expenses | | **6,101** | | **5,738** | | 6,624 |
| Other interest expenses | | **461** | | **464** | | 380 |
| Other operating expenses | | **4,612** | | **5,949** | | 5,493 |
| Total expenses | | **22,194** | | **24,826** | | 27,688 |
| | | | | | | |
| Result before tax from continuing operations | | **4,107** | | **4,074** | | 6,459 |
| | | | | | | |
| Taxation | | **1,013** | | **1,001** | | 1,406 |
| Net result from continuing operations | | **3,094** | | **3,073** | | 5,053 |

| **(amounts in EUR million)** | **2013** | **2013** | **2012** | **2012** | 2011 | 2011 |
|---|---|---|---|---|---|---|
| **Discontinued operations** | | | | | | |
| Net result from discontinued operations | | **370** | | **839** | | -180 |
| Net result from classification as discontinued operations | | **-42** | | **-394** | | |
| Net result from disposal of discontinued operations | | **17** | | **752** | | 995 |
| Total net result from discontinued operations | | 345 | | **1,197** | | 815 |
| Net result from continuing and discontinued operations (before minority interests) | | **3,439** | | **4,270** | | 5,868 |

Note:

(1) These figures have been derived from the audited annual consolidated accounts of ING Groep N.V. in respect of the financial years ended 31 December 2011 to 2013, respectively, provided that certain figures have been restated to reflect new pension accounting requirements under IFRS that took effect on 1 January 2013.

## GENERAL INFORMATION

### Documents Available for Inspection or Collection

So long as this Registration Document is valid as described in Article 9 of the Prospectus Directive, copies of the following documents will, when published, be available free of charge from the Issuer and from the specified office of the Paying Agents. Requests for such documents should be directed to the Issuer, c/o ING Bank N.V. at Foppingadreef 7, 1102 BD Amsterdam, The Netherlands.

(i) the Articles of Association (*statuten*) of the Issuer;

(ii) the publicly available annual reports of the Issuer in respect of the financial years ended 31 December 2013 and 31 December 2012, including the audited financial statements and the auditors' reports in respect of such financial years;

(iii) the most recently publicly available annual report of the Issuer and the most recently publicly available published interim financial statements of the Issuer and its consolidated subsidiaries (if any);

(iv) a copy of this Registration Document; and

(v) any future supplements to the Registration Document and any other documents incorporated herein or therein by reference.

### Ratings

The Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited of A- (outlook negative), a senior debt rating from Moody's Investors Service Ltd. of A3 (outlook negative) and a senior debt rating from Fitch France S.A.S. of A (outlook negative). A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant. The Issuer has from time to time been subject to its ratings being lowered.

### Significant or Material Adverse Change

At the date hereof, there has been no significant change in the financial or trading position of the Issuer and its consolidated subsidiaries since 31 March 2014, except for:

(i) the pre-IPO of NN-Group, as described on page 51 under "NN Group pre-IPO investments" in the ING Group Condensed Consolidated Interim Financial Information for the period ended 31 March 2014.

At the date hereof, there has been no material adverse change in the prospects of the Issuer since 31 December 2013, except for:

(i) the repayment of Core Tier 1 Securities to the Dutch State.

### Litigation

The Issuer and its consolidated subsidiaries are involved in litigation and arbitration proceedings in The Netherlands and in a number of foreign jurisdictions, including the U.S., involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, broker-dealers, underwriters, issuers of securities and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Issuer is of the opinion that some of the proceedings set out below may have, or have in the recent past had, a significant effect on the financial position, profitability or reputation of the Issuer and/or the Issuer and its consolidated subsidiaries.

Because of the geographic spread of its business, the Issuer may be subject to tax audits in numerous jurisdictions at any point in time. Although the Issuer believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

Proceedings in which ING is involved include complaints and lawsuits concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of ING in Mexico. Litigation was filed by the purchaser of certain ING Mexican subsidiaries, who claims that the financial condition of the subsidiaries was not accurately depicted. Parties have agreed to a settlement. The outcome of the settlement is reflected in the audited financial statements of the Issuer for the year ended 31 December 2013. Further, purported class litigation has been filed in the United States District Court for the Southern District of New York alleging violations of the federal securities laws with respect to disclosures made in connection with the 2007 and 2008 offerings of ING's Perpetual Hybrid Capital Securities. The District Court has dismissed all claims related to the 2007 and 2008 offerings. The plaintiffs appealed that decision relating to the 2008 offering. The appellate court affirmed the District Court's decision dismissing all claims. The plaintiffs have petitioned the appellate court for an en banc review of that decision by the appellate court. The request for *en banc* review has been denied. The plaintiffs could appeal to the U.S. Supreme Court. At this moment it is not practicable to provide an estimate of the (potential) financial effect.

An administrator of an ERISA plan has filed a lawsuit seeking to represent a class of ERISA plan administrators claiming that an ING subsidiary ("ILIAC") had breached certain of its ERISA duties. On 11 April 2014, the parties submitted to the court a motion for preliminary approval of a class-wide settlement agreement under which ILIAC, without admitting liability, would make a payment to the class and adopt certain changes in its disclosure practices.

Since the end of 2006, unit-linked products (commonly referred to in Dutch as "*beleggingsverzekeringen*") have received negative attention in the Dutch media and from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, ING's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008, costs of the settlements were valued at EUR 365 million, for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as at 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012.

In addition, ING's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011, this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012, almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes, nor the additional measures offered by ING's Dutch insurance subsidiaries, prevent individual policyholders from initiating legal proceedings against ING's Dutch insurance subsidiaries and making claims for damages.

In November 2013, the so-called "Vereniging Woekerpolis.nl", an association representing the interests of policyholders, initiated a so-called "collective action", requesting the District Court in Rotterdam to declare that NN Group's Dutch insurance subsidiaries sold products in the market, which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value and unrealistic capital projections due to difference in geometric versus arithmetic returns). ING's Dutch insurance subsidiaries have rejected these claims and will defend themselves in these proceedings.

Apart from the aforementioned "collective action", several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation Wakkerpolis. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the KiFiD issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling – in accordance with past rulings of the KiFiD – that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy, the higher the life insurance premium). NN Group and ING believe that this interim ruling is incorrect on several legal grounds.

In proceedings pending before the District Court in Rotterdam, the District Court has, upon the request of the parties, including NN Group, submitted prejudicial questions to the European Court of Justice to obtain clarity on principle legal questions with respect to cost transparency related to unit-linked policies. The main prejudicial question is whether European law allows for the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. Although the European Court does not decide on the applicable standards in specific cases, NN Group and ING believe the ruling of the Court of Justice can give clarification on this question of legal principle which is subject of other legal proceedings in The Netherlands. It is expected that the European Court of Justice will render its judgement at the earliest in 2014.

ING's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time, and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof can be substantial for the Dutch insurance business of ING and may affect ING, both financially and reputationally. However, these consequences cannot be reliably estimated or quantified at this point.

In January 2010, ING lodged an appeal with the General Court against specific elements of the EC's decision regarding ING's Restructuring Plan. In its appeal, ING contested the way the EC has calculated the amount of state aid that ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general. On 2 March 2012, the General Court handed down its judgement in relation to ING

Group's appeal and annulled part of the EC's state aid decision. Subsequently, the EC filed an appeal against the General Court's judgement before the Court of Justice of the EU. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING as compatible with the internal market on the basis of the Initial Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the Initial Restructuring Plan.

On 24 July 2012, ING announced that the Dutch State and ING were in dialogue with the EC on an amended and updated Restructuring Plan to be submitted to the EC. However, in order to safeguard its legal rights, ING filed an appeal with the General Court against the EC's decision of 11 May 2012, which re-approved ING's Initial Restructuring Plan.

On 19 November 2012, ING Group and the EC announced that the EC had approved amendments to the Initial Restructuring Plan. With the approval, the EC closed its investigation as announced on 11 May 2012 and ING withdrew its appeal at the General Court that it filed in July 2012. For legal principal reasons the EC continued with its appeal against the General Court ruling of March 2012. However, as part of the agreement of 19 November 2012, ING, the Dutch State and the EC agreed that the outcome of this appeal will not affect the EC approval of the Amended Restructuring Plan. On 3 April 2014, the Court of Justice of the EU rendered its judgement and dismissed the EC's appeal against the General Court ruling of March 2012.

In January 2011, the Dutch Association of Stockholders (*Vereniging van Effectenbezitters*, "VEB") issued a writ alleging that investors were misled by the prospectus that was issued with respect to the September 2007 rights issue of Fortis N.V. (now Ageas N.V.) against Ageas N.V., the underwriters of such rights issue, including ING Bank N.V., and former directors of Fortis N.V. According to the VEB the prospectus shows substantive incorrect and misleading information. The VEB states that the impact and the risks of the sub-prime crisis for Fortis and Fortis' liquidity position were reflected incorrectly in the prospectus. The VEB requests a declaratory decision stating that the summoned parties acted wrongfully and are therefore responsible for the damages suffered by the investors in Fortis. The amount of damages of EUR 18 billion has yet to be substantiated. ING is defending itself against this claim; at this time ING is not able to assess the outcome of the court proceeding. Therefore, at this moment it is not practicable to provide an estimate of the (potential) financial effect of such action.

In July 2011, the Dutch ING Pensioners' Collective Action Foundation (*Stichting Collectieve Actie Pensioengerechtigden ING Nederland*), together with two trade unions (*FNV Bondgenoten and CNV Dienstenbond*) and a number of individual pensioners, instituted legal proceedings against ING's decision not to provide funding for indexing pensions insured by the Dutch ING Pension Fund (*Stichting Pensioenfonds ING*) in 2009, 2010 and 2011. This claim was rejected by the District Court of Amsterdam on 9 November 2012. On 15 April 2014, the Amsterdam Court of Justice dismissed claimants' appeal against the decision of the District Court of Amsterdam. In July 2011, the Interest Group ING General Managers' Pensions (*Belangenvereniging ING Directiepensioenen*), together with a number of individual retired Dutch General Managers of ING, instituted legal proceedings against ING's decision not to provide funding for indexing Dutch General Managers' pensions directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the District Court of Amsterdam on 22 October 2012. An appeal was lodged against this District Court decision. It is not feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome of these proceedings may result in liabilities and provisions for such liabilities which are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

In April 2013, the Dutch ING Pension Fund started arbitration proceedings to adjudicate in a dispute with ING concerning the adjusted mortality tables used in the calculation of premiums and provisions. In 2013, ING decided to lower its contributions by 1.7% as a result of ING not accepting the adjustments made by the Dutch ING Pension Fund resulting from the mortality tables used. In February 2014, the Dutch ING Pension Fund and ING agreed that the Dutch ING Pension Fund will continue using a surcharge of 1.7% and the Dutch ING Pension Fund and ING will share the costs of the 1.7% surcharge over 2013. The payment of 50% of the 2013 surcharge by ING is included in the payment by ING of the one-time lump sum to the Dutch ING Pension Fund, which was closed for the accrual of new pension benefits as of 1 January 2014, of EUR 379 million to release ING from future financial obligations. More information is provided in Note 60 of the audited financial statements of the Issuer for the year ended 31 December 2013.

In July 2013, the Dutch ING Pension Fund started arbitration proceedings against ING's decision not to provide funding (for a total amount of EUR 197.5 million) for indexing pensions insured with the Dutch ING Pension Fund as of 1 January 2013. During the arbitration proceedings the Dutch ING Pension Fund added a claim in the amount of EUR 38.8 million for funding the indexation as of 1 August 2013. On 20 December 2013 the arbitrators ruled in favour of the Dutch ING Pension Fund and concluded that ING will have to provide full funding for both the indexation as of 1 January 2013 and the indexation as of 1 August 2013. The outcome of the arbitration is reflected in the audited financial statements of the Issuer for the year ended 31 December 2013.

On 12 June 2012, ING Bank entered into a Settlement Agreement with the Treasury Department's Office of Foreign Assets Control (OFAC) and Deferred Prosecution Agreements with the Department of Justice, the United States Attorney's Office for the District of Columbia and the District Attorney of the County of New York in relation to the investigation by those agencies into compliance with U.S. economic sanctions and U.S. dollar payment practices until 2007. The Agreements expired on 12 December 2013 and the motion against ING Bank N.V. has been dismissed by the U.S. District Court of Columbia.

In addition, like many other companies in the insurance industry, several of ING's subsidiaries in the U.S. have received formal requests for information from various governmental and regulatory agencies regarding whether and to what extent they proactively ascertain whether customers are deceased, pay benefits even where no claim has been made, and comply with state laws pertaining to unclaimed or abandoned property. On 6 June 2013, ING U.S. executed a Global Resolution Agreement, which became effective on 26 July 2013, establishing a process to resolve an audit of compliance with laws on unclaimed property being conducted by a majority of the States. On 13 August 2013, ING U.S. executed a Regulatory Settlement Agreement, which became effective on 14 September 2013, resolving, with the Departments of Insurance of 47 States, two territories and the District of Columbia, a multi-state market conduct examination regarding benefit payment practices, procedures and policy administration relating to claims, including efforts to identify owners and beneficiaries of unclaimed benefits.

In December 2005, Interadvies N.V., at the time a subsidiary of ING Bank N.V., sold Arenda Holding B.V. and five subsidiaries (together "Arenda") to Amodo Europe N.V. ("Amodo"). In November 2006, Amodo instituted legal proceedings against ING. Amodo claimed that ING informed it incorrectly of the current and future financial status of Arenda at the time of the sale. This claim was rejected by the Court on 1 September 2010 but Amodo lodged an appeal against that Court decision. On 6 November 2012, the Court of Appeal partly awarded the claim of Amodo in an interlocutory judgement. In the interlocutory judgement, the Court of Appeal also instructed both ING and Amodo to submit a calculation of the damages involved to the Court of Appeal. Based on both calculations, the Court of Appeal will make a final judgement. In January 2014, Amodo filed a new document to substantiate its claim. A final judgement will probably not be given before the end of the second quarter of 2014. ING has the possibility of appealing against the legal grounds on which the final judgement is based. At this moment it is not practicable to provide an estimate of the (potential) financial effect of this proceeding.

Following a recent broad industry review by the DNB, Nationale-Nederlanden Schadeverzekering Maatschappij N.V. was instructed to strengthen its policies and procedures in respect of sanctions-related customer screening and related compliance matters. Nationale-Nederlanden Schadeverzekering Maatschappij N.V. is currently in the process of implementing the DNB's recommendations.

**Auditors**

The financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2012, respectively, have been audited by Ernst & Young Accountants LLP. The auditors of Ernst & Young Accountants LLP are members of the Royal Dutch Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), which is a member of the International Federation of Accountants (IFAC). Ernst & Young Accountants LLP has issued an unqualified auditors' report on the financial statements for the financial year ended 31 December 2013 dated 17 March 2014 and an unqualified auditors' report on the financial statements for the financial year ended 31 December 2012 dated 18 March 2013.

The auditors' reports in respect of the financial years ended 31 December 2013 and 31 December 2012, respectively, incorporated by reference herein are included in the form and context in which they appear with the consent of Ernst & Young Accountants LLP, who have authorised the contents of these auditors' reports.

**Market Information**

This Registration Document cites market share information published by third parties. The Issuer has accurately reproduced such third-party information in the Registration Document and, as far as the Issuer is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the information reproduced herein to be inaccurate or misleading. Nevertheless, investors should take into consideration that the Issuer has not verified the information published by third parties. Therefore, the Issuer does not guarantee or assume any responsibility for the accuracy of the data, estimates or other information taken from sources in the public domain. This Registration Document also contains assessments of market data and information derived therefrom which could not be obtained from any independent sources. Such information is based on the Issuer's own internal assessments and may therefore deviate from the assessments of competitors of ING or future statistics by independent sources.

**THE ISSUER**

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