2013

ING Belgium SA / NV

Annual Report

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2.1 Income Statement

ING Belgium SA/NV - Consolidated Income Statement			
In EUR millions	**2013**	**2012**	**%**
Total income	3,505	3,288	+7%
of which: net interest income	*2,735*	*2,609*	*+5%*
Total expenses	(1.958)	(2.031)	-4%
Provision for loan losses	(220)	(206)	+7%
Part of entities via equity method	3	-	N/A
Profit before tax	**1,330**	**1,051**	**+26%**
Taxation	(356)	(279)	+28%
Profit after tax	**974**	**772**	**+26%**

2.2 Balance Sheet

ING Belgium SA/NV - Assets			
In EUR million	**2013**	**2012**	**%**
Due from banks	12,611	14,627	-14%
Financial assets at fair value	20,245	41,762	-52%
Investment securities	19,560	20,408	-4%
Loans and advances	83,154	82,996	+0%
Other assets	7,900	8,397	-6%
Total Assets	**143,470**	**168,190**	**-15%**
ING Belgium SA/NV - Loans and Advances			
In EUR million	**2013**	**2012**	**%**
Straight loans + rollover	41,514	42,127	-1%
Mortgage loans	30,946	30,206	+2%
Overdrafts	7,849	8,087	-3%
Lease	3,207	3,124	+3%
Bonds	365	103	+254%
Other loans	98	97	+0%
- Loan loss provision	-824	-749	+10%
Total Loans and Advances	**83.154**	**82.996**	**+0%**
ING Belgium SA/NV - Liabilities & Equity			
In EUR million	**2013**	**2012**	**%**
Due to banks	9.915	14,994	-34%
Due to customers	95,226	90,261	+6%
Financial liabilities at fair value	22,911	44,780	-49%
Other liabilities	5,341	7,077	-26%
Shareholders' equity	10,077	11,078	-9%
Capital and reserves	8,898	10,108	-11%
Result of the year	978	772	+27%
Subordinated debts	202	198	+2%
Total Liabilities & Equity	**143,470**	**168,190**	**-15%**
ING Belgium SA/NV - Due to customers			
In EUR million	**2013**	**2012**	**%**
Saving accounts	40,194	38,101	+5%
Other Customer accounts	38,396	36,377	+6%
Corporate term deposits	9,190	9,796	-6%
Debt securities	7,495	5,986	+25%
Total Due to customers	**95,275**	**90,261**	**+6%**

3 Report of the Board of Directors on the Consolidated Accounts of ING Belgium SA/NV

Brussels
21 March 2014
Financial Report 2013

3.1 Comments on Financial Statements

3.1.1 Changes in the consolidation scope

The branch in France (Paris) of ING Belgium SA/NV left the consolidation scope during the year; figures of France are included till end of April 2013.

Finanziaria and Eurosim, both in our consolidation scope via equity method, were liquidated in 2013.

In 2013, the transfer of Financial Markets activities to ING Bank NV Belgian Branch (a foreign branch of ING Bank NV in Belgium) continued. In September the inflation linked activities were transferred out of ING Belgium SA/NV.

3.1.2 Consolidated balance sheet

3.1.2.1 Globally

Highlights of 2013	
Profit after tax	EUR 974 million (+ 26%)
Customer deposits	EUR 95.3 billion (+ 6%)
Customer loans	EUR 83.2 billion (flat) (exit French branch)
Customers	+ 62,000
Tier 1 (Basel II)	20.5%
Tier 1 (Basel III) (pro forma)	17.7%
Leverage ratio	6.1%

Rik Vandenberghe, CEO of ING Belgium: ***"I am very proud of ING Belgium, of our results and of what our employees have achieved for our clients."***

ING Belgium SA/NV posted in 2013 a *profit after tax* of EUR 974 million. This result represents an increase year on year of EUR 202 million. The bank continues its successful execution of the commercial strategy "direct if possible, advice when needed" and its discipline to manage strictly the costs.

ING Belgium was awarded "Bank of the Year" 2013 by *The Banker*. In 2013, the bank continued to improve its online and mobile channels; all channels are complementary for a maximum convenience and flexibility:

- In 2013, ING made *personal advice easier*: clients can receive advice from ING's specialists and sign for advice-related products such as investment or lending products anywhere, for example at home.

- The new *ING Smart Banking app* for tablets, which was launched in September, was very well received by our clients. ING's Smart Banking applications for smartphones and tablets have been downloaded 448,000 times since 2011.

- The successful transformation of the *branch network* continued however also. More than 600 out of 748 branches have now been completely refurbished into more open and client-friendly branches. Tablets & Wifi were installed in our branches to help our clients discover the multiple advantages of online and mobile banking.

- ING was elected *Best Private Bank in Belgium* by World Finance. Its assets under management further increased in 2013.

- *Small and medium enterprises and local authorities* also benefited from ING's expertise: see the new financing program with the European Investment Bank, to help finance SME (with an attractive interest rate) plus the emission of medium term notes with 8 Flemish cities / municipalities. ING offers also tailor-made advice to business clients, via 16 business centres throughout Belgium for Midcorporate and Institutional clients. ING also strengthened its leading position in the Midcorp segment: 35% of Belgian family owned companies named ING as their main bank.

- The strong rise in savings and current accounts reflects the continuously growing *customer base* (+62,000 new clients in 2013; +500.000 from 2007 on) and the success of the ING Lion Account (the bank's free online current account; more than 100,000 were opened in 2013).

Besides the impressive results, ING Belgium SA/NV maintained in 2013 strong ratio's :

- *the solvency* ratio remains very solid with a pro-forma Tier 1 ratio of 17.7% (Basel III definition); in the Basel II definition, the Tier 1 ratio is at 20.5% (compared to 22.5% for 2012) ;

- a comfortable *leverage ratio* at 6.1% ;

- a *solid liquidity position*, supported by a strong balance between assets and liabilities.

In the next chapter we comment further on the financial position of ING Belgium SA/NV.

3.1.2.2 Analysis per segment

ING Belgium SA/NV - Assets			
In EUR million	**2013**	**2012**	**%**
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Total Assets	**143,470**	**168,190**	**-15%**

Total ***liabilities and equity*** decreased by EUR -24.7 billion or -15%.

The *Financial assets at fair value* decreased by EUR 22 billion, or -49%, mainly in trading derivatives (EUR -19.7 billion), due to a large number of early terminations and novations done from September onwards with external counterparties and ING entities. A decrease was also observed in hedging transactions due to an overestimation of the situation in 2012 (internal asymmetric operations not compensated for Eur 6.5 bn). Similar evolution is visible at the liability side.

ING Belgium SA/NV replaced for EUR 4,9 billion interbank funding (mainly with ING Group) by an increase in customer deposits (see further).

The *Shareholders' equity* decreased by EUR 0.9 billion, or -8%; given the payment of an exceptional dividend to ING Group in December 2013.

ING Belgium SA/NV - Loans and Advances			
In EUR million	**2013**	**2012**	**%**
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- Loan loss provision	-824	-749	+10%
Total Loans and Advances	**83.154**	**82.996**	**+0%**

The total of *loans and advances* shows a stable evolution (EUR +158 million).

If we make abstraction of the exit in May 2013 of the French branch (in straight loans and advances) in the consolidation scope of ING Belgium SA/NV (EUR – 1,5 billion), and of a mutation of a bond of EUR 300 million accounted in 2012 in the investment portfolio and in 2013 in the bonds part of loans and advances, the year-on-year increase comes at EUR 1,4 billion.

This increase is almost entirely located in Belgium and shows again the strong contribution of ING Belgium SA/NV to the Belgian economy. The increase in assets is mainly realised in the portfolio straight loans and rollovers (EUR + 900 million) and mortgage loans (EUR +400 million).

ING Belgium SA/NV - Liabilities & Equity			
In EUR million	**2013**	**2012**	**%**
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Total Due to customers	**95,275**	**90,261**	**+6%**

The growth in *due to* customers is very important in 2013: ING Belgium SA/NV attracted EUR +5 billion additional deposits (or +6%). This is a combination of the following factors:

- further increase in *savings accounts* by 5% (EUR +2.1 billion), thanks to both the ING Lion Premium account (EUR +1.9 billion) and the ING Orange book (EUR +1 billion);

- the *customer accounts* increased by +6%, or EUR +2 billion: thanks to higher sight deposits of individuals (EUR +0.9 billion), corporates (EUR +0.6 billion) & other financial institutions (EUR +0.6 billion);

- *debt securities* showed also an important increase (+25% or EUR +1.5 billion) : ING Belgium SA/NV launched with success in the second half of 2013 its covered bonds program. At end 2013 a total amount of EUR 1.25 billion is collected via two bond issues. A public issue of EUR 1 billion with maturity date 2018 and a private placement of EUR 250 million with maturity date 2023. Both issues are covered by mortgage loans.

The issued debt securities in Record increased by EUR 300 million.

3.1.3 Consolidated income statement

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Part of entities via equity method	3	-	N/A
Profit before tax	**1.330**	**1051**	**+26%**
Taxation	(356)	(279)	+28%
Profit after tax	**974**	**772**	**+26%**

ING Belgium SA/NV posted in 2013 a ***profit after tax*** of EUR 974 million. This result represents an increase year on year of EUR 202 million or +26%.

The ***total income*** of ING Belgium SA/NV increased by 7% and stands at EUR 3,505 million. An important growth is generated in the *net interest income,* which increased from EUR 2,609 million to EUR 2,735 million (or +5% and EUR +126 million). This increase is driven by higher volumes in savings in the retail business line, key deals in lending with institutional clients and a significant growth in structured finance. The *net received commissions* lowered by EUR 27 million, mainly due to lower commissions on securities.

The remaining evolution in non-interest income is mainly explained by a stabilising debit value adjustment (DVA) within IBIF (entity issuing structured notes) in 2013 while in the previous year a significant negative value adjustment was accounted (EUR 179 million in 2012).

The ***total expenses*** decreased by 3.5% to EUR 1,958 million, or EUR -73 million.

A disciplined cost management allowed for more than a compensation of the indexation in *staff related expenses* and for the inflation in the *general expenses*. (in total EUR -31 million).

The cost base is negatively impacted in 2013 by higher bank levies (increase year-on-year of EUR +58 million).

The total of *depreciations and impairments* remained stable.

The booked *provisions* lowered in 2013 by EUR -98 million year-on-year. In 2012 a provision of EUR 103 million was accounted for the future transfer of activities from ING Belgium SA/NV towards ING Bank NV Belgian Branch. In 2013 total provisions amount to EUR 17 million.

Provisions were made for the measures concluded in a collective labour agreement. This impact is partly compensated by a reduction in the provisions for pending legal issues.

The ***provisions for loan losses*** increased year-on-year by EUR 14 million to EUR 220 million for 2013. This is a reasonable level, considering the current economic cycle (0,19% on outstandings ; 0,56% on RWA).

Finally the increase of ***income taxes*** by EUR 76 million or +27%, to EUR 356 million, is consistent with the increase of the profit before tax.

3.2 Profile: ING in Belgium

The Group ING is a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services. More than 75,000 ING employees serve over 48 million private, corporate and institutional customers in over 40 countries in Europe, North America, Latin America, Asia and Australia. ING is ranked number 16 in the Top 20 European financial institutions by market capitalisation (in EUR billion). *Source: Bloomberg, 30 September 2013.*

ING Belgium SA/NV services all banking customers with a wide range of financial products and via the distribution channel of their choice (click, call & face). ING Belgium’s leading position as a client-focused bank was evidenced by winning the 2013 “Bank of the Year – Belgium” award from *The Banker*.

3.3 Staff evolution

In the course of 2013, the total number of staff (in full time equivalent, or FTE’s) of ING Belgium SA/NV consolidated decreased by 5% from 11.463 to 10.945 FTE’s. ING Belgium SA/NV (not consolidated) recruited in 2013 a number of 531 Full Time Equivalents.

3.4 Risk management

See the specific chapter in the information on the consolidated accounts (chapter 7.6.5).

3.5 Post-balance-sheet events

No events other than those already communicated by ING Group and likely to have an impact on the information contained in this report occurred between the close of the financial year and the date of going to press.

3.6 Information on branches

ING Belgium has branches in the Netherlands (Breda), Switzerland (Geneva, with a representative office in Zurich), Spain (Madrid) and Portugal (Lisbon).

The France (Paris) branch left our consolidation scope during 2013 (end of aprill).

3.7 Research and development

Not applicable.

3.8 Information concerning the use of financial instruments

See the specific chapter in the information on the consolidated accounts (chapter 7.6.4.8).

3.9 Outlook

ING Belgium complied with the position adopted since 2004 by ING Group's Executive Board: the Board decided not to formulate any further results forecasts.

3.10 Legal stipulations regarding the composition of the Audit Committee

In compliance with article 526bis of the company Code, at least one member of the Audit Committee of ING Belgium should be an independent director (according to the definition in article 526ter). This person is Mr Christian Jourquin. His curriculum vitae and active participation on ING Belgium's Board of Directors demonstrate his capabilities in accounting and audit.

4 ING Belgium SA and the Rules of Corporate Governance

4.1 Current state of affairs

In Belgium, corporate governance is partly regulated by the law of 22 March 1993 and partly by the Circular PPB-2007-6CPB-CPA. This circular describes the prudential expectation of the regulator, the National Bank of Belgium, regarding good governance of a financial institution. In addition, ING Belgium respects the 'Belgian Corporate Governance Code', in force since 1 January 2005. In accordance with the 'comply or explain' approach adopted in the English-speaking world, the Code's recommendations lack binding force, though companies are urged to provide reasons if they refuse to comply. In the case of banks, specific measures aimed at keeping major shareholders separate from the decision-making processes have been added.

4.2 ING Belgium's position regarding the Belgian Corporate Governance Code

The shares representing ING Belgium's share capital are no longer listed on the Brussels Stock Exchange since 1 July 1998. They have been held in their entirety by ING Group since 2004.

However, ING Belgium continues to engage in all the activities permitted to Belgium-based financial institutions, including public issues. ING Belgium is also responsible for steering its Belgian and foreign subsidiaries.

For these reasons, the bank continues to meet most of the requirements applicable for listed companies, notably as regards corporate communication and governance.

The bank therefore continued the action it started in 2005 to comply with the Belgian Corporate Governance Code. The Board of Directors approved the Governance memorandum and the charters of the Board of Directors, the Executive Committee, the Audit Committee and the Remuneration and Nomination Committee on 29 July 2011. A final version of the 'Charter of the Audit Committee' has been approved in the meeting of November 2012.

ING Belgium currently satisfies the main recommendations of the Belgian Corporate Governance Code.

The bank diverges from the Code on the following points:

1. Its internal governance charter is mainly based on the Circular PPB-2007-6CPB-CPA of the former Banking, Financial and Insurance Commission (CBFA), role taken over by the NBB, related to the prudential expectations of NBB regarding good governance of a financial institution.
2. The term of mandates to the Board of Directors remains uniformly fixed at six years, including for independent directors. The bank believes it is essential to have an external key figure with enough distance from the bank to be able to obtain an overall picture of its activities.
3. The bank also believes it should not have to personalise information concerning the remuneration it pays to its leading managers. An analysis of the breakdown of remuneration paid to the executive and non-executive members of the Board of Directors, together with overall figures for each of the items in the budget, is provided in chapter 7.

4.3 Board of Directors

Composition

Under the terms of Article 13 of the Articles of Association, the ING Belgium Board of Directors must comprise at least 12 members. As at 21 March 2014, the Board has 15 members. There are no corporate bodies on the Board.

Responsibilities

The main responsibility of the Board of Directors is to define the bank's general policy and supervise the Executive Committee. The Board of Directors appoints and dismisses the Chief Executive Officer and the members of the Executive Committee after having consulted the Executive Committee and obtained the approval of the National Bank of Belgium. It delegates day-to-day management to the Executive Committee, ensures that this is carried out and oversees the general state of affairs. The Board of

Directors convenes General Meetings and decides on their agenda. It sets the date for payment of dividends. The Board may decide to pay interim dividends for the current period, subject to the conditions laid down by law. It also sets the amounts and dates of such payments.

Provisions in the Articles of Association relating to terms of office

The General Meeting of Shareholders appoints directors to sit on the Board and may dismiss them at any time. In accordance with Article 13 of the Articles of Association, the term of office of outgoing directors expires at the end of the Annual General Meeting. Outgoing directors are eligible to stand for re-election. The order of rotation of mandates is decided by the Board of Directors in order to ensure that no term of office exceeds six years and that at least one member of the Board is (re-)elected each year.

As stated in Article 15 of the Articles of Association, the Board of Directors chooses a chairman from among its members who are not members of the Executive Committee, after having consulted the National Bank of Belgium.

Age limit

Article 13 of the Articles of Association stipulates that the term of office of a director expires at the end of the Annual General Meeting held the year following the year in which the director in question reaches the age of 70. An ordinary or extraordinary General Meeting of Shareholders may, on the proposal of the Chairman of the Board, extend or renew for one additional term the mandate of a director who has reached the age limit. The additional term may not exceed two years. Under Article 18 of the Articles of Association, the term of office of a Managing Director expires at the end of the calendar year in which the person concerned reaches the age of 65[1].

Board decisions

The Board's decision-making powers are laid down in Article 16 of the Articles of Association.

Except for in the case of force majeure, resulting from war, unrest or other disasters affecting public life, the Board may only deliberate and reach valid decisions if most of its members are present or represented, on the understanding that any director present may not exercise more than two mandates by delegation.

However, if the Board fails to reach a quorum at a meeting, it may duly deliberate at a follow-up meeting, to be held within two weeks at the latest, on the items on the agenda of the previous meeting, regardless of the number of members present or represented.

Board decisions are taken by simple majority vote.

Where there is a requirement, under Articles 523 and 529 of the Belgian Companies Code, for one or more members to abstain from voting, resolutions may be validly decided upon by a simple majority vote of all eligible members present or represented.

In the event of a tied vote, the presiding member has the casting vote.

Remuneration

Under Article 14 of the Articles of Association, the General Meeting of Shareholders determines the amount of the remuneration of the members of the Board of Directors until a new decision is taken by such a meeting[2].

Special committees

The Board of Directors has set up from among its members an Audit Committee and a Remuneration and Nomination Committee.

The Audit Committee's remit extends to ING Belgium and its Belgian and foreign subsidiaries. It met four times in 2013. Matters it dealt with included examination of the bank's financial statements for 2012 and the interim results for 2013. The Committee deliberated on risk management and the external functions exercised by directors and senior managers of the bank. The Committee also analysed the reports prepared by the bank's General Auditor and the Global Compliance Officer. It reviewed the loans placed

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[1] In practice, the individual contracts require Managing Directors to step down from the Board at the age of 60. Their mandate can, however, be extended.

[2] For more information, refer to the chapter on Remuneration of the members of the Board of Directors and Executive Committee.

under special surveillance as well as legal disputes. The Audit Committee reports to the Board of Directors at the Board meeting following each of its own meetings.

The Remuneration and Nomination Committee is responsible for presenting the Board of Directors with proposals concerning the appointment of Board members, the Chief Executive Officer and the members of the Executive Committee, and the members of the Management Council. It is also responsible for making recommendations to the Board of Directors concerning:

- the principles governing the terms and conditions for appointing Executive Committee members and Management Council members, including their remuneration;
- the objectives and performance of Executive Committee members and Management Council members[3];
- the succession planning for Executive Committee members and Management Council members[4];
- the principles regarding the remuneration policies (including budget) applicable within ING Belgium and its subsidiaries and their conformity with the rules imposed by the supervisory authorities.

The Remuneration and Appointment Committee holds at least two meetings a year, one of which precedes the meeting during which the Board of Directors prepares the annual accounts and decides on the agenda for the Annual General Meeting of Shareholders.

4.4 Executive Committee

Composition and responsibility

Currently comprising seven members, the Executive Committee is responsible for conducting the bank's day-to-day management in line with the general policy set by the Board of Directors. Its members are Managing Directors and its president is the bank's Chief Executive Officer.

Assignment of responsibilities & decision-making

Each member of the Executive Committee is directly in charge of a number of the bank's entities. These responsibilities are detailed in the section ‘ING Belgium's Supervisory, Executive and External Audit bodies’ in the next chapter.

All decisions by the Executive Committee are taken on a collective basis; each decision is binding on all members of the Committee.

The Executive Committee, in turn, delegates the management of areas of the bank's business to a number of individuals whose rank, responsibilities, authority and remuneration are determined by the Committee.

As mentioned above, the activities of the Executive Committee have been governed by a charter since 9 March 2006 and reviewed on 29 July 2011. This also applies to the main committees, which report directly to the Executive Committee and whose powers are specified below.

Remuneration

Article 18 of the bank's Articles of Association stipulates that the Board of Directors determines, on the advice of the Chief Executive Officer, the remuneration of the Executive Committee members. The Board of Directors decides upon the recommendation submitted by the Remuneration and Nomination Committee[5].

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[3] This performance is evaluated once a year by the Remuneration and Appointment Committee.
[4] The plans in question include a crisis scenario. They must therefore be reviewed once a year.
[5] For more information, refer to the chapter on remuneration of the members of the Board of Directors and Executive Committee.

Activities

The Executive Committee generally meets once a week. Additional meetings are convened if there are a large number of items to be discussed, or if there is an urgent matter.

In addition to specific decisions relating to the day-to-day management of the bank, the Executive Committee reviews a detailed annual account of the performance and prospects of each of the bank's central units (profit centres and support services) and of all the main Belgian and foreign subsidiaries. The Executive Committee studies the bank's monthly results, broken down by segment[6]. It studies the periodic report drawn up by the General Auditor every other month. At the closing dates of 30 June and 31 December, the Executive Committee and the senior managers of the Credit Department review loan facilities requiring special attention. The Executive Committee also regularly looks into issues affecting personnel management.

4.5 Special committees

Three special committees report directly to the Executive Committee. These are the Assets and Liabilities Management Committee (ALMAC), the Financial Markets Committee (FMC) and the Non Financial Risk Committee (NFRC). The Executive Committee remains the bank's sole decision-making body.

[6] The results are scrutinised in detail once a quarter.

5 ING Belgium's supervisory, executive and external audit bodies

5.1 Board of Directors

Composition[7]

Eric Boyer de la Giroday (2018)
Chairman of the Board of Directors

Rik Vandenberghe (2017)
Chief Executive Officer

Guy Beniada (2016)
Managing Director

Michael Jonker (2016)
Managing Director

Philippe Masset (2014)
Managing Director

Colette Dierick (2014)
Managing Director

Frank Stockx (2019)
Managing Director

Baron Luc Bertrand (2018)
Chairman of the Executive Board,
Ackermans & van Haaren

Baron Philippe de Buck van Overstraeten (2018)
Company Director Member of the European Economic and Social Committee

Christian Jourquin (2018)
Member of the Royal Academy of Belgium

Count Diego du Monceau de Bergendal (2017)
Managing Director, Rainyve

Hans van der Noordaa[9] (2017)
Member of the Board of Directors ING Bank N.V.

Philippe van de Vyvere (2014)
Managing Director, Sea Invest Group

Michèle Sioen (2017)
CEO, Sioen Industries NV

Audit Committee

Chairman

Count Diego du Monceau de Bergendal

Members

Baron Philippe de Buck van Overstraeten

Christian Jourquin[8]

Remuneration and Appointment Committee

Chairman

Eric Boyer de la Giroday

Members

Hans van der Noordaa

Michèle Sioen

Christian Jourquin

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[7] Situation as of December 2013. Normal expiry dates are shown opposite each Director's name.
[8] Member of the Audit Committee independant of the legal organ of administration within the meaning of article 526ter of the Companies Code and independant in accounting and / or auditing.
[9] Non-Executive Director who represents the sole shareholder.

5.2 Statutory Auditor

Ernst & Young
Company Auditors SCCRL/BCVBA (B160)
represented by **Jean-Francois Hubin, Partner (untill 31 December 2014)**

5.3 Executive Committee *(as at March 2014)*

Rik Vandenberghe **Chief Executive Officer**	Corporate Communication & Relations Corporate Audit Services Human Resources Financial Markets Brussels Transformation Office ING Luxembourg Continental Western Europe
Guy Beniada **Managing Director**	Finance Facility Management Capital Management Procurement Tax Corporate Development
Michael Jonker **Managing Director**	Operational and Compliance Risk Market Risk Management (ALM) Market Risk management (Trading) Credit Risk Management Legal
Franck Stockx **Managing Director**	Products and Operations -Accounts, Payments, Savings -Securities & Investments -Lending & Insurance -Structured Securitised Finance -Lease & Commercial Finance
Philippe Masset **Managing Director**	Commercial Banking Belgium & Luxembourg -Midcorps & Institutionals -Corporate Clients -Event Finance -Corporate Finance -Equity Markets -Acquisition & Leveraged Finance -Economic Research -Local Structured Finance - Working Capital Solutions
Colette Dierick **Managing Director**	Retail Sales Private Banking Direct Channels Marketing Record Group
Johan Kestens **Managing Director**	Domestic Product Services Distribution Services Infrastructure Services Commercial Banking Services Group Services Shared Delivery Center Chief Administration Office

6 Information about the Company

Registered name

In French, ING Belgique SA; in Dutch, ING België NV; in English, ING Belgium SA/NV; in German, ING Belgien AG

Registered office

Avenue Marnix/Marnixlaan 24

B-1000 Brussels

Company registration

Register of legal persons no. 0403 200 393.

Form of incorporation, Articles of Association and their publication

ING Belgium SA/NV is incorporated under Belgian law as a public limited company (société anonyme - naamloze vennootschap) by notarial act drawn up on 30 January 1935, witnessed by Me Pierre De Doncker, Notary Public of Brussels, and published in the appendices to the Belgian Official Journal of 17 February 1935, under no. 1459.

The Articles of Association of the company have been amended regularly, most recently by notarial act of 27 October 2006, witnessed by Me Sophie Maquet, associated Notary Public of Brussels, and published in the appendices to the Belgian Official Journal of 27 November 2006, under nos. 06176870 and 06176871.

ING Belgium SA/NV is a credit institution within the meaning of Article 1 of the Law of 22 March 1993 on the status and control of credit institutions.

Duration

The company has been established for an unlimited duration.

Corporate object

Under Article 3 of its Articles of Association, the company's activity is to carry out, on its own behalf or on behalf of third parties, in Belgium or abroad, any business associated with a banking service, in the broadest sense of the term. This includes, but is not necessarily limited to, all transactions relating to deposits of cash and securities, credit transactions of any nature, financial business, stock market operations, foreign exchange, issuance, intermediation and brokerage.

The company is also authorised to conduct any other business activities that banks are, or may be, allowed to carry out in Belgium or abroad, such as, inter alia, those relating to the commission and brokerage of insurance services, finance leasing and other leasing services in any form of any movable or immovable property, as well as asset, property, advisory or consultancy services on behalf of third parties within the context of these activities.

The company is authorised to hold shares and interests in other companies within the limits laid down by law and regulatory authorities.

The company may acquire and own property and real estate rights for its own use, or in pursuit of its corporate object. It may also acquire property in connection with securing the repayment of loans and advances.

The company is further authorised to engage in any venture or commercial activity involving assets or property directly or indirectly related to its corporate object, or to facilitate the pursuit of this object.

Issued share capital

The issued share capital of ING Belgium SA/NV is EUR 2,35 billion currently represented by 55.414.550 ordinary shares, without par value.

The bank has not issued any other class of shares.

The bank's shares have not been listed on the Brussels Stock Exchange since 1 July 1998.

Since 6 August 2004, they have all been held by the ING Group.

Share issues reserved for employees, under preferential conditions

There is no share investment plan for the personnel or directors of the bank.

Company shares held by members of the bank's administrative and management bodies

The members of ING Belgium SA/NV Board of Directors do not hold any company shares.

External functions exercised by directors and senior management of the bank

The exercise of external functions by directors and senior management of Belgium-based financial institutions is subject to rules set out in the Circular PPB-2006-13-CPB-CPA issued by the Belgian Banking, Finance & Insurance Commission on 13 November 2006.

Each institution is required to publish details of any such mandates by the means described in point I(4)(e) of the circular.

ING Belgium SA/NV has decided to make this information available to the public on its website.

7 Consolidated Annual Accounts

7.1 Statement of Financial Position (Balance Sheet)

For year ended 31 December 2013

ASSETS			
In EUR thousands	**Note**	**2013**	**2012**
Cash and cash balances with central banks	*1*	1.648.292	1.492.232
Financial assets held for trading	*2*	18.419.397	39.846.248
Financial assets designated at fair value through profit or loss	*3*	273.149	278.008
Financial assets available for sale	*4*	19.845.088	20.704.980
Loans and receivables (including reverse repos)	*5*	96.608.892	97.733.996
Derivatives used for hedging	*0*	3.771.249	5.260.601
Fair value changes of the hedged items in portfolio hedge of interest rate risk		57.163	180.452
Tangible assets		989.500	996.317
of which property, plant and equipment	*7*	*977.241*	*984.496*
of which investment property	*8*	*12.259*	*11.821*
Goodwill and other intangible assets	*9*	126.680	117.482
Tax assets		260.554	363.689
of which current tax		*90.998*	*131.717*
of which deferred tax	*10*	*169.556*	*231.972*
Investments in associates, subsidiaries and joint ventures accounted for under the equity method (including goodwill)	*11*	4.312	1.571
Investments in not consolidated associates		76.190	58.566
Other assets	*12*	1.389.720	1.156.149
Assets held for sale	*13*	-	-
TOTAL ASSETS		**143.470.186**	**168.190.291**

LIABILITIES			
Deposits from central banks		195	24.746
Financial liabilities held for trading	*14*	17.136.393	38.479.224
Financial liabilities designated at fair value through profit or loss	*15*	3.043.757	3.310.670
of which subordinated liabilities		*41.706*	*75.169*
Financial liabilities measured at amortised cost	*16*	105.411.047	104.949.814
of which subordinated liabilities		*204.342*	*200.824*
Financial liabilities associated with transferred assets (repos)	*17*	34.028	896.513
Derivatives used for hedging	*18*	4.798.313	6.289.293
Provisions	*19*	387.164	258.319
Tax liabilities		277.921	476.042
of which current tax		*61.999*	*75.694*
of which deferred tax	*20*	*215.922*	*400.348*
Other liabilities	*21*	2.396.491	2.508.504
Liabilities held for sale		-	-
Share capital repayable on demand	*22*	110.107	116.415
TOTAL LIABILITIES		**133.595.416**	**157.309.540**

EQUITY			
Equity attributable to equity holders of the company	*23*	9.857.850	10.860.035
Minority interests		16.920	20.716
GROUP EQUITY		**9.874.770**	**10.880.751**
TOTAL EQUITY AND LIABILITIES		**143.470.186**	**168.190.291**

7.2 Consolidated Income Statement

For year ended 31 December 2013

Consolidated income statement			
In EUR thousands	**Note**	**2013**	**2012**
Financial & operating income and expenses		**3.505.403**	**3.288.157**
Net interest income	*24*	2.735.313	2.608.794
Dividend income		53.284	20.878
Net fee and commission income	*25*	564.240	591.047
Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss	*26*	80.473	76.112
Net gains and losses on financial assets and liabilities held for trading	*27*	-58.132	130.612
Net gains and losses on financial assets and liabilities designated at fair value through profit or loss	*28*	-3.666	-265.789
Fair value adjustments in hedge accounting	*29*	-619	20.270
Exchange differences revaluations	*30*	101.766	88.985
Gains and losses on derecognition of assets other than held for sale	*31*	-4.092	227
Other net operating income	*32*	36.836	17.021
Administration costs		**1.826.189**	**1.799.217**
Staff expenses	*33*	1.158.289	1.175.479
General and administrative expenses	*34*	667.900	623.738
Depreciation	*7-9*	**106.320**	**95.490**
Provisions	*19*	**18.631**	**116.827**
Impairment	*35*	**227.255**	**224.892**
Impairment losses on financial assets not measured at fair value through profit or loss		220.647	217.678
Other Impairment		6.608	7.214
Badwill immediately recognised in the income statement		**-**	**-**
Share of the profit and loss attributable to associates and joint ventures accounted for under the equity method		**3.153**	**124**
Income tax expense related to profit and loss from continuing operations	*36*	**356.050**	**279.837**
Net profit (loss)		**974.112**	**772.018**
Attributable to minority interests		-3.567	220
Attributable to equity holders of the parent		977.679	771.798

7.3 Statement of Cash Flow

For year ended 31 December 2013

Consolidated Cash flow Statement

Cash flow from operating activities

In EUR thousands	Note	2013	2012
Profit or loss attributable to equity holders of the parent		**977.679**	**771.798**
Adjustments to reconcile profit to net cash provided by operating activities		**241.163**	**1.814.660**
Minority interest included in group profit loss		-3.567	220
(Current and deferred tax income, recognised in income statement)		-225.283	-283.883
Current and deferred tax expenses, recognised in income statement		581.333	563.720
Net unrealised gains		-130.869	878.214
of which:			
unrealised foreign currency (gains) losses		-	-
net unrealised fair value (gains) losses via profit or loss		*-1*	*-261*
net unrealised gains from cash flow hedges	*23*	*-87.443*	*99.145*
net unrealised gains from available-for-sale investments	*23*	*-43.425*	*779.328*
Net realised (gains) losses on sale of investments		-13.733	-23.059
Depreciation / amortisation		106.320	95.490
Impairment	35	6.608	7.214
Net provisions (recoveries)		18.631	116.827
Other adjustments		-98.277	459.919
Cash flow from operating activities before changes in working capital		**1.218.842**	**2.586.458**
Changes in operating assets (excluding cash & cash equivalents)		**-24.554.355**	**9.202.207**
Net increase in balances with central banks	*1*	24.321	-1.217.553
Net increase in loans and receivables	*5*	-908.005	7.595.110
Net increase in financial assets available for sale	*4*	-859.892	-516.881
Net increase in financial assets held for trading	*2*	-21.426.850	2.503.701
Net increase in financial assets designated at fair value through profit or loss	*3*	-4.859	-220.234
Net increase in asset-derivatives, used for hedging	*6*	-1.489.353	1.190.534
Net increase in accrued income for financial assets		-	-
Net increase in other assets	*12*	110.283	-132.470
Changes in operating liabilities (excluding cash & cash equivalents)		**-23.677.461**	**-1.799.361**
Net increase in advances from central banks	*16*	-24.550	10.375
Net increase in deposits from credit institutions	*16*	-5.228.684	-4.898.528
Net increase in deposits from other than credit institutions	*16*	3.345.521	1.626.098
Net increase in debt certificates	*16*	1.477.169	105.243
Net increase in financial liabilities held for trading	*14*	-21.342.831	851.851
Net increase in financial liabilities designated at fair value through profit or loss	*15*	-298.999	-580.551
Net increase in liability-derivatives used for hedging	*18*	-1.490.980	1.247.493
Net increase in accrued expenses on financial instruments		-	-
Net increase in other financial liabilities		1.224	-63.021
Net increase in other liabilities	*21*	-115.331	-98.321
Net increase in working capital		**-876.894**	**-11.001.568**
Cash flow from operating activities		**2.095.735**	**-8.415.110**
Income tax (paid) refunded		-319.960	-259.115
Net cash flow from operating activities		**1.775.775**	**-8.674.225**

* 'Other adjustments' contains mainly impairment losses on financial assets not measured at fair value through profit or loss, deferred taxes on cash flow and fair value hedge and share based payments.

Cash flow from investment activities			
In EUR thousands		**2013**	**2012**
Acquisition of tangible assets	*7-8*	-92.780	-109.082
Disposal of tangible assets	*7-8*	26.843	26.762
Acquisition of intangible assets	*9*	-8.487	-22.834
Disposal of intangible assets	*9*	-	-
Acquisition of joint ventures, associates, subsidiaries, net of cash acquired	*11*	-3.155	-3.913
Disposal of joint ventures, associates, subsidiaries, net of cash disposed	*11*	2.718	2.053
Other cash payments related to investing activities		-	-
Other cash receipts related to investing activities		55.615	22.833
Net cash flow from investing activities		**-19.246**	**-84.181**

Cash flow from financing activities		
In EUR thousands	**2013**	**2012**
Dividends paid	-1.738.354	-595.152
Cash proceeds from the issuance of subordinated liabilities	-	0
Cash repayments of subordinated liabilities	-32.613	-43.557
Cash proceeds from the issuance of shares and other equity instruments	-	-
Cash payments to acquire treasury shares	-	-
Cash proceeds from the sale of treasury shares	-	-
Other cash proceeds related to financing activities	-	-
Other cash payments related to financing activities	-	-
Net cash flow from financing activities	**-1.770.967**	**-638.709**
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	**-14.439**	**-9.397.115**
Cash and cash equivalents at the beginning of the period	4.961.423	14.358.538
Cash and cash equivalents at the end of the period	4.946.984	4.961.423

Cash and Cash Equivalents include the following items			
In EUR thousands		**2013**	**2012**
Cash on hand	*1*	535.671	531.626
Balances with central banks	*1*	659.885	532.192
Loans and receivables	5	3.751.428	3.897.605
Government securities		-	-
Bank overdrafts		-	-
Total		**4.946.984**	**4.961.423**

Supplementary disclosure of Operating Cash flow			
In EUR thousands		**2013**	**2012**
Interest income received	*24*	10.626.399	17.814.069
Interest expense paid	*24*	7.891.086	15.205.275
Dividend income received		53.284	20.878

7.4 Consolidated Statement of Changes in Equity

For year ended 31 December 2013

2013								
In EUR thousands	**Share capital**	**Share premium**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Net profit current year**	**Non-controlling interests**	**Total**
Opening balance	**2.350.000**	**451.511**	**354.105**	**0**	**6.932.622**	**771.798**	**20.715**	**10.880.751**
Capital increase / decrease (-)								**0**
Purchases / sales of treasury shares								**0**
Share based payment					9.092			**9.092**
Net profit transferred to reserves					771.798	-771.798		**0**
Reclassification between reserves			-8.800		8.800			**0**
Other changes								**0**
Dividends 2012								**0**
Interim dividend 2013					-1.738.354			**-1.738.354**
Net profit or loss for the current year						977.679	-3.567	**974.112**
Other Comprehensive Income (net of related tax effects)								**0**
Currency translation reserve			-10.232					**-10.232**
Net change in hedge of net investments in foreign operations reserve			10.327					**10.327**
Net change in tangible fixed assets revaluation reserve			6.978					**6.978**
Net change in the revaluation reserve available for sale			-43.425					**-43.425**
Net change in cash flow hedges			-87.443					**-87.443**
Net change in actuarial gains/losses on pension defined benefit plans *			-126.746					**-126.746**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method								**0**
Other			-60		-1		-229	**-290**
Closing balance	**2.350.000**	**451.511**	**94.704**	**0**	**5.983.957**	**977.679**	**16.919**	**9.874.770**

* contains the unrecognised gains/losses transferred to OCI as of 01/01/2013 (EUR 190,9 mio) minus deferred taxes.

For year ended 31 December 2012

2012

In EUR thousands	Share capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Net profit current year	Non-controlling interests	Total
Opening balance	**2,350,000**	**451,511**	**-503,880**	**-**	**6,644,971**	**863,941**	**20,711**	**9,827,254**
Capital increase / decrease (-)	-	-	-	-	-	-	-	**-**
Purchases / sales of treasury shares	-	-	-	-	-	-	-	**-**
Share-based payments	-	-	-	-	15,522	-	-	**15,522**
Net profit transferred to reserves	-	-	-	-	863,941	-863,941	-	**-**
Reclassification between reserves	-	-	-3,359	-	3,359	-	-	**-**
Other changes	-	-	-	-	-20	-	5	**-15**
Dividends 2011	-	-	-	-	-	-	-	**-**
Interim dividend 2012	-	-	-	-	-595,152	-	-	**-595,152**
Net profit or loss for the current year	-	-	-	-	-	771,798	-	**771,798**
Other comprehensive Income (net of related tax effects)	-	-	-	-	-	-	-	**-**
Currency translation reserve	-	-	1,022	-	-	-	-	**1,022**
Net change in hedge of net investments in foreign operations reserve	-	-	-2,830	-	-	-	-	**-2,830**
Net change in tangible fixed assets revaluation reserve	-	-	-15,142	-	-	-	-	**-15,142**
Net change in the revaluation reserve available for sale	-	-	779,328	-	-	-	-	**779,328**
Net change in cash flow hedges	-	-	99,145	-	-	-	-	**99,145**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	**-**
Other	-	-	-179	-	-	-	-	**-179**
Closing balance	**2,350,000**	**451,511**	**354,105**	**-**	**6,932,621**	**771,798**	**20,716**	**10,880,751**

7.5 Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income

In Eur thousands	Note	2013	2012
Net profit or loss for the current year	*24-36*	977.679	771.798
Other elements of comprehensive income:	*23*		
Other Comprehensive Income (net of related tax effects)			
Currency translation reserve		-10.232	1.022
Net change in hedge of net investments in foreign operations reserve		10.327	-2.830
Net change in tangible fixed assets revaluation reserve		-1.882	-18.682
Net change in the revaluation reserve available for sale		-43.425	779.328
Net change in cash flow hedges		-87.443	99.145
Net change in actuarial Gain/losses on pension Defined Benefit Plans		-126.746	
Share of the other comprehensive income of associates and joint ventures accounted for using equity method			
Other			1
Total comprehensive income		**718.278**	**1.629.782**

The tax impact of elements in other comprehensive income can be found in Note 10.

7.6 *Information on the Consolidated Accounts*

7.6.1 Statement of compliance with IFRS

ING Belgium SA/NV has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In this document the term 'IFRS' is used to refer to International Financial Reporting Standards as adopted by the EU, including the decisions ING Belgium has made with regard to the options available under IFRS and the supplementary disclosures required by Belgian law.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of contingent liabilities as at balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

7.6.2 Corporate information

ING Belgium SA/NV is an international financial institution active in banking, insurance and asset management and a subsidiary of ING Bank NV.

ING Belgium has organised its commercial network into two business lines: Retail & Private Banking and Commercial Banking. Both report functionally to the equivalent business lines at ING Group.

ING Belgium is a limited liability company employing 10.945 people. The address of its registered office is: Avenue Marnix 24, 1000 Brussels.

These consolidated financial statements were approved for issue by the Board of Directors on 21 March 2014.

Amounts in the notes to the financial statements are in thousands of euros unless otherwise stated.

7.6.3 Basis of presentation

The main measurement basis used in preparing these financial statements are fair value and amortised cost.

Fair value of financial assets and liabilities is determined by using quoted market prices. Market prices are obtained from traders, brokers and independent market vendors. In general, positions are valued by taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

Furthermore, additional fair value adjustments may be necessary for liquidity or outdated data because transactions in a particular financial instrument do not take place on a regular basis.

For certain financial assets and liabilities, including Over-The-Counter (OTC) derivative instruments, no quoted market prices are available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques consider, amongst other factors, contractual and market prices, correlations, time value of money, credit spread, yield curve, volatility factors and/or prepayment rates of the underlying positions. All valuation techniques used are approved by the applicable internal authorities.

In addition, market data used in these valuation techniques are validated on a daily basis.

Models are subjective in nature and significant judgment is involved in establishing fair values for financial assets and liabilities. Models involve various assumptions regarding the underlying price, yield curve, correlations and many other factors.

The use of different valuation techniques and assumptions could produce materially different estimates of fair value.

Price testing is done to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the income statement. Price testing is performed to minimise the potential risks of economic losses due to materially incorrect or misused models. This applies to both exchange-traded positions as well as OTC positions.

The difference between the price based on the model used and the market data, the ‘day one profit’, is recorded in the income statement of the bank.

However, when the bank uses internally developed models and/or data derived from observable prices, a valuation adjustment is made for model risk. This adjustment takes into account the different aspects of these models/data and the related degree of uncertainty.

In respect of the general rule for calculating the adjustment for model risk, the calculation takes into account:

- the internal classification of the model in accordance with its complexity;
- experience in using the model; and
- the remaining term of the operation.

The calculation is performed on a transaction-by-transaction basis. The first two points are subject to a regular review by Risk Management.

A specific adjustment is also made for correlation risk. This adjustment is calculated based on the sensitivity indicator for this risk factor.

A valuation adjustment is also recorded for credit risk. This adjustment is computed by MRM, and takes the model risk into account. Both Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA – own default risk of ING) are taken into account to determine the fair value.

Due to a change in market practices for pricing derivatives, ING Belgium applies since 2011 a discounting curve, that reflects the Overnight Indexed Swap (‘OIS’) instead of the previously used term EURIBOR rate.

In addition to the existing hedge accounting strategies, since 2011, a portfolio fair value hedge accounting for floating interest mortgage loans has been put in place using the Carved Out Version of IAS 39. This implies that the hedged embedded option (the cap included in the interest mortgages) is measured at fair value through P&L, which is similar the derivative used for hedging. As of 2012, ING Belgium has also implemented the fixed rate macro fair value hedge for fixed rate mortgages.

The *amortised cost of a financial asset or financial liability* is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

As of 2013, ING Belgium report applying the ‘dirty price’ methodology. This means that the accrued interests are booked with the underlying instrument, and not longer separately. The figures of 2012 are reclassified within their accounting category to present a better comparison. There is no global impact on the figures.

Financial statements are prepared on a going concern basis.

7.6.3.1 *Estimation of impacts of changes to IFRS*

This section explains the impact on the financial statements of ING Belgium due to future IFRS modifications.

New IFRS modifications		
IFRS	**Applicable to annual periods beginning on or after…**	**Endorsed by the EU**
IFRS 10	01/01/2014	Yes
IFRS 11	01/01/2014	Yes
IFRS 12	01/01/2014	Yes
IAS 27 Revised	01/01/2014	Yes
IAS 28 Revised	01/01/2014	Yes
IFRS 9	01/01/2015	No

IFRS 10 changes the definition of control. In order to have control an entity must have all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement;
- the ability to use its power to affect the amount of returns.

These changes might imply minor changes in the scope of control.

IFRS 11 contains the requirements for classifying a joint arrangement as either a joint venture or a joint operation. A joint operation is where the parties combine assets and operations to obtain rewards. A joint venture is an arrangement established in order to give the venturers a share in the net results of the arrangement. A joint operation recognises its own assets, liabilities, revenues and expenses. A joint venture must be accounted for under the equity method.

IFRS 12 integrates and requires consistent disclosures relating to subsidiaries, joint arrangements, associates and unconsolidated structured entities. The main new disclosures intend to identify the judgments made to determine whether control exists.

The revised IAS 27 contains only the accounting rules for subsidiaries, joint ventures and associates in the stand-alone financial statements of the investor. The requirements for consolidated financial statements are included in IFRS 10.

The revision of IAS 28 contains the requirements for accounting for investments in associates and joint ventures. Both are required to be accounted for under the equity method.

Furthermore, in 2010 IFRS 9 'Financial Instruments' was issued, which was initially effective as of 2013. However in July 2011 the International Accounting Standards Board tentatively decided to postpone the mandatory application of IFRS 9 until 2015. This standard is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. Implementation of IFRS 9 – if and when endorsed by the EU – may have a significant impact on equity and/or result of ING Belgium SA/NV.

7.6.3.2 *Principles of consolidation*

7.6.3.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which ING Belgium has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether ING Belgium controls another entity. Subsidiaries are fully consolidated from the date on which control is exercised by ING Belgium. They are deconsolidated from the date on which control ceases.

As regards fully consolidated subsidiaries, the bank ensures that, within the limits of percentages of equity controlled and with the exclusion of political risk, fully consolidated shareholdings are able to meet their commitments.

The purchase method of accounting is used to account for the acquisition of subsidiaries by ING Belgium. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed on the exchange date Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value on the acquisition date, irrespective of the extent of any minority interest. The excess of the acquisition cost over the fair value of the bank's share in the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the bank's share in the net assets of the subsidiary acquired, the difference is directly recognised in the income statement. The badwill is only recognised in the income statement after reassessment that all assets acquired and liabilities assumed were correctly identified.

Balances and unrealised gains on transactions between ING Belgium companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

When necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by ING Belgium.

Consolidated subsidiaries 2013

In EUR thousands					Entitie's Financial Statements at the reporting date			
Entity name	Registered office	Activity	Company code	Proportion of ownership	Assets (1)	Liabilities (1)	Income statement (1)	Equity (without Income statement)
CEL Data Services SA/NV	Brussels	IT	BE 0435.463.880	100,00%	7.444	2.114	700	4.630
Immo Globe SA/NV	Brussels	Real Estate	BE 0415.586.512	100,00%	15.422	910	254	14.258
ING Belgium International Finance Luxembourg SA	Luxembourg	Finance	-	100,00%	3.567.733	3.586.317	-3.160	-15.424
ING Contact center SA/NV	Brussels	Finance	BE 0452.936.946	100,00%	10.982	6.409	266	4.307
ING Luxembourg	Luxembourg	Finance	-	99,99%	12.400.172	11.023.906	106.053	1.270.213
ING Lease Luxembourg	Luxembourg	Leasing	-	99,99%	206.946	188.954	1.578	16.414
European Marketing Group Luxembourg(EMG)	Luxembourg	Leasing		99,99%	7.859	1.655	956	5.248
Société Immobilière ING Luxembourg SARL	Luxembourg	Real Estate	-	99,99%	41.310	3.179	19.664	18.467
SPV Air Properties Sa	Luxembourg	Real Estate		99,99%	22.074	94	230	21.750
ING LUX Ré SA	Luxembourg	Insurance	-	99,99%	5.237	1.557	0	3.680
Leudelange Office Park SA	Luxembourg	Real Estate	-	99,99%	7.651	5	-1	7.647
ISIM SA (ex CherryMont SA)	Luxembourg	Real Estate	-	99,99%	141	0	0	141
ING Technology Services	Brussels	IT	BE 0846.738.437	99,50%	1.659	659	0	1.000
Lease Belgium	Brussels	Leasing	BE 0402.918.402	100,00%	4.184.598	4.014.622	26.093	143.883
ING Equipment Lease Belgium	Brussels	Leasing	BE 0427.980.034	100,00%	2.004.977	1.928.930	13.119	62.928
ING Asset Finance Belgium	Brussels	Leasing	BE 0429.070.986	100,00%	591.711	564.277	3.041	24.393
ING Truck Lease Belgium	Brussels	Leasing	BE 0440.360.895	100,00%	143.375	134.665	823	7.887
Commercial Finance	Brussels	Factoring	BE 0470.131.086	100,00%	542.825	531.279	2.697	8.849
D'Ieteren Vehicle Trading NV	Brussels	Leasing	BE 0428.138.994	51,00%	59.094	49.389	483	9.222
New Immo-Schuman SA/NV	Brussels	Real Estate	BE 0428.361.797	100,00%	11.683	1.684	13	9.986
Record Bank SA/NV	Brussels	Banking	BE 0403.263.642	100,00%	19.322.206	18.532.062	65.997	724.147
Fiducré SA/NV	Brussels	Finance	BE 0403.173.372	100,00%	100.324	88.372	9.656	2.296
Logipar	Brussels	Real Estate	BE 0439.526.103	100,00%	6.922	1.809	18	5.095
Record Credit Services SCRL/CVBA	Liege	Finance	BE 0403.257.407	16,42%	1.742.369	1.705.843	-4.355	40.881
Sogam SA/NV	Brussels	Finance	BE 0402.688.075	100,00%	464	1	19	444
Soges-Fiducem SA/NV	Brussels	Finance	BE 0403.238.304	100,00%	36.310	32.652	422	3.236
Belgian Overseas Agencies Ltd.	Montreal	Finance	CA 0403.202.967	100,00%	23.654	23.454	7	193
Belgian Overseas Issuing Corp.	New York	Finance	CA 0403.203.066	100,00%	22.343	21.813	4	526

7.6.3.2.2 Associates

Associates are all entities over which ING Belgium has significant influence but no control, generally accompanying a shareholding of 20-50% of the voting rights.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost. They include goodwill (net of any accumulated impairment loss) identified upon acquisition.

The bank's share in the post-acquisition profits or losses of associates is recognised in the income statement. Its share in the post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When ING Belgium's share in the losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between ING Belgium and its associates are eliminated to the extent of the bank's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

When necessary, the accounting policies of associates have been changed to ensure consistency with the policies adopted by ING Belgium.

Associates accounted for under the equity method

In EUR thousands					Entitie's Financial Statements		
Entity name	Registered office	Activity	Company code	Proportion of ownership	Assets (1)	Liabilities (1)	Income statement
Isabel SA/NV	Brussels	Finance	BE 0455.530.509	25,33%	24.923	12.764	4.777
Synapsia	Luxembourg	Finance		34,84%	40.143	40.032	48

* Assets are not equal to liabililties because equity is not included

Figures from the financial statements of the entities

7.6.4 Accounting policies

7.6.4.1 Foreign currency translation

7.6.4.1.1 Functional and presentation currency

Items included in the accounts of all ING Belgium entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are drawn up in thousands of euros, which is the presentation currency.

7.6.4.1.2 Translations

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as gains and losses resulting from the conversion at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as part of qualifying cash flow or net investment hedges.

Conversion differences on non-monetary items measured at fair value through profit and loss are reported as part of the fair value gain or loss. Non-monetary items are reconverted on the date where their fair value is determined. Conversion differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

7.6.4.1.3 Results and financial position of group companies

The results and financial position of ING Belgium companies whose functional currency differs from the presentation currency are converted into the presentation currency:

- assets and liabilities included in their balance sheet are converted at the closing rate, on the date of the balance sheet concerned;
- income and expenses included in their income statement are converted at average exchange rates; however, when the average is not a reasonable approximation of the cumulated effect of the rates prevailing on the transaction dates, income and expenses are converted on the transaction dates;
- resulting exchange differences are recognised in a separate component of equity.

On consolidation, exchange differences arising from the conversion of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and converted at the closing rate.

7.6.4.2 Recognition and derecognition of financial instruments

All purchases and sales of financial assets classified as available for sale and trading that require delivery within the timeframe established by regulation or market convention ('regular way' purchases and sales) are recognised on trade date, being the date when ING Belgium committed to purchase or sell the asset. Loans and deposits are recognised on settlement date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when ING Belgium has transferred all risks and rewards of ownership. If ING Belgium neither transfers nor retains all risks and rewards of ownership of a financial asset, it derecognises the financial asset when it no longer has control over it. In case of transfers where control over the asset is retained, ING Belgium continues to recognise the asset to the extent of its continuing involvement. The extent of this continuing involvement is determined by the extent to which ING Belgium is exposed to changes in the value of the asset.

7.6.4.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when ING Belgium has a legally enforceable right to offset the recognised amounts and intends to either settle on a net basis or to simultaneously realise the asset and settle the liability.

7.6.4.4 Repurchase and reverse repurchase transactions

Securities sold subject to repurchase agreements ('repos') are retained in the consolidated financial statements. The counterparty liability is included in financial liabilities associated with the transferred assets.

Securities purchased under agreements to resell ('reverse repos') are recorded as collateral received. In addition, a receivable is recognised as 'loans and advances' or as 'financial assets held for trading'. The difference between the sale and repurchase price is recorded as interest and accrued over the life of the agreement, using the effective interest method.

7.6.4.5 Financial assets

7.6.4.5.1 Cash and cash balances with central banks

Cash includes money held by ING Belgium, as well as money deposited with other financial institutions that can be withdrawn without notice.

Cash equivalents are defined as short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. The classification of a short-term investment as a cash equivalent not only requires the investment to meet the definition of a cash equivalent, but also depends on the purpose for which the investment is held.

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, balances with central banks, short-term loans and advances, short-term government securities, reverse repos and bank overdrafts.

7.6.4.5.2 Financial assets held for trading

Trading assets are assets that are acquired principally for the purpose of generating short-term gains or a dealer's margin. Financial assets held for trading are initially recognised at cost. Subsequently, they are remeasured to fair value, without deduction of transaction costs, on each balance sheet date until they are derecognised.

Gains and losses arising from changes in fair value are recorded in the income statement for the period in which they occur. They include realised gains and losses on the disposal of financial assets and unrealised gains and losses arising from changes in fair value.

Interest income and expenses are recorded separately in the income statement.

ING Belgium designates marketable equity securities and debt securities, derivatives and reverse repos as financial assets held for trading.

7.6.4.5.3 Financial assets designated at fair value through profit or loss

Management designates financial assets at fair value through profit or loss when one of the following conditions is met:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'accounting mismatch') that would arise from measuring assets or recognising gains/ losses on them on a different basis;
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of assets concerned is provided internally on that basis;
- the assets contain one or more embedded derivatives, unless the embedded derivative does not significantly modify the cash flows or if separation of the embedded derivative would be prohibited.

Gains and losses arising from changes in the fair value of such assets are recognised in the income statement for the period in which they occur. They include realised gains and losses on the disposal of financial assets and unrealised gains and losses arising from changes in the fair value of the assets.

Interest income and expenses are recorded separately in the income statement.

Designation is irrevocable: the marked-to-market valuation of such assets is maintained until derecognition.

7.6.4.5.4 Loans and receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments.

They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, they are carried at amortised cost using the effective interest rate method, less any impairment losses.

Interest income is recognised on an accruals basis using the effective interest rate method.

7.6.4.5.5 Financial assets available for sale

Financial assets not classified in another category are recorded as available for sale.

Available-for-sale financial assets are measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in equity. When the assets are disposed of, the related accumulated fair value adjustments are recorded in the income statement as gains and losses from investments.

7.6.4.6 Impairment of financial assets

At each balance sheet date, ING Belgium assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence that a financial asset or group of assets is impaired includes, but is not limited to:

- the borrower has sought or has been placed in bankruptcy or similar protection, and this avoids or delays repayment of the financial asset;
- the borrower has failed in the repayment of principal, interest or fees, and the payment failure has remained unsolved for a certain period;
- the borrower has given evidence of significant financial difficulty, which will have a negative impact on the future cash flows of the financial asset;
- the credit obligation has been restructured for non-commercial reasons. ING Belgium has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset.

7.6.4.6.1 Impairment of financial assets designated as available for sale

With regard to equity investments classified as available for sale, a significant or prolonged decline in the fair value of the assets linked to the quality of the debtor, below their acquisition cost, is considered in determining whether the assets are impaired. If any such evidence exists, the cumulated loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not reversed through the income statement until the items are derecognised.

Regarding debt securities, the same rule applies to record the impairment. If, however, in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

7.6.4.6.2 Impairment of loans

ING Belgium first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Loans that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

For loans that are not individually significant a collective provision is calculated.

A collective provision is calculated when ING Belgium determines that no objective evidence exists of the depreciation of a financial asset or a group of financial assets; this also referred to as 'Incurred But Not Reported' (IBNR).

A loan is impaired when it is probable that the bank will not be able to collect all amounts due (principal and interest) according to the contractual terms. The collectibility of loans includes the credit risk, when a loan may not be repaid due to the borrower's lack of capacity to repay. It also includes the transfer risk, when the loan is not repaid due to factors external to the borrower such as currency restrictions resulting from an economic crisis in his/her country of domicile. Emphasis should be placed on the timing of the contractual cash flows from interest payments and principal repayments. If the bank expects to collect all interest and principal due in full, but it is probable that those cash flows will be received later than the date agreed in the original contract, an impairment review must be performed.

When a loan is impaired, it is written off against the related provision account. This occurs after all required procedures have been undertaken and the final loan loss has been determined. Any amounts received in excess of expected cash flows are recognised in the income statement as reductions of the related provision.

When an impairment is recognised for a financial asset valued at amortised cost, the amount of the impairment is determined as being the difference between the asset's book value and the present value of the expected future cash flows (excluding future loan losses that have not yet occurred), discounted using the asset's original effective interest rate[9]. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

It is the bank's policy that write-offs should only be made in a limited number of cases, including after completion of a restructuring, in a bankruptcy situation, and after divestment of a credit facility at a discount.
Both the loan and the impairment show up in the books. If the decision to (partially) write off the loan is taken, both the loan and the related provision are eliminated from the books and only the difference between the two is brought to the income statement.

The identification of the impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. Further developments after the balance sheet date may indicate that certain unrealised losses as of the balance sheet date will result in impairment in future periods, resulting in a negative impact on the income statement for future periods.

Considerable judgment is exercised in determining the extent of loan loss provisions. This judgment is based on the management's evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit and geographical concentration trends. Changes in such judgments and analyses may lead to changes in provisions over time.

7.6.4.7 Financial liabilities

7.6.4.7.1 Financial liabilities held for trading

A financial liability is held for trading when it is acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Financial liabilities held for trading include 'short' positions in securities.

Financial liabilities held for trading are initially recognised at cost, and subsequently remeasured to fair value (without deduction for transaction costs) on each balance sheet date until the items are derecognised.

Gains and losses arising from changes in the fair value are recorded in the income statement for the period in which they occur. Gains and losses include realised gains and losses on the disposal of financial liabilities, and unrealised gains and losses arising from changes in the fair value.

Interest is recorded separately in the income statement.

7.6.4.7.2 Financial liabilities at fair value through profit or loss

Management designates financial liabilities at fair value through profit or loss when one of the following conditions is met:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'accounting mismatch') that would arise from measuring liabilities or recognising gains/ losses on them on a different basis;
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of liabilities concerned is provided internally on that basis;

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[9] Currently, the future cash flows are discounted using the contractual rate.

- the liabilities contain one or more embedded derivatives, unless the embedded derivative does not significantly modify the cash flows or when separation of the embedded derivative would be prohibited.

7.6.4.7.3 Financial liabilities at amortised cost

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition (the fair value), minus principal repayments, plus or minus the cumulated amortisation, using the effective interest method of any difference between the initial amount and the maturity amount. This is the default classification.

7.6.4.8 Derivatives and hedging activities

Any derivative contract is initially recognised at fair value at the date on which it is entered into and is subsequently remeasured to its fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Embedded derivatives are bifurcated from their host contract provided the following conditions are met:

- Their economic characteristics and risks are not closely related to those of the host contract;
- The host contract is not carried at fair value through profit or loss;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

These embedded derivatives are measured at fair value, with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the item being hedged.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

At the inception of the transaction, ING Belgium documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The bank assesses, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items including the method for assessing the hedging instruments' effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

ING Belgium uses three types of hedge accounting, which are described below.

7.6.4.8.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest-bearing instruments, amortised in the income statement over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest-bearing instruments, the cumulative adjustment of the hedged item is recognised in the income statement only when the hedged instrument is derecognised.

Interest Rate Swaps are concluded in the ALM book as hedging instruments in order to manage the overall interest rate risk created by the commercial activity of the bank. Interest rate swaps and cap/floor (for mortgage loans) are used.

7.6.4.8.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that is reported in equity is immediately transferred to the income statement.

Interest Rate Swaps are concluded in the ALM book as hedging instruments in order to manage the overall interest rate risk created by the commercial activity of the bank.

7.6.4.8.3 Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

7.6.4.9 Tangible assets

7.6.4.9.1 Property, plant and equipment

Land and buildings held for own use are stated at fair value on the balance sheet date.

The cost of an item of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes, after deducting trade discount and rebates. The fair value of land and buildings is their market value.

ING Belgium remeasures at fair value property at each reporting date and obtains a valuation from an independent, professionally qualified appraiser on a sufficiently regular basis, or at least every five years.

Increases in the carrying amount arising from a revaluation of land and buildings held for own use are credited to the revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity. All other decreases are charged to the income statement. Increases that reverse a revaluation decrease on the same asset previously recognised in income statement are recognised in the income statement.

Depreciation on buildings is recognised, based on the fair value and the estimated useful life of the asset (in general 33 years). Depreciation is calculated pro rata temporis (or proportionally) on a straight-line basis. Residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent expenditures are included in the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to ING Belgium and its cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which these are incurred.

On disposal, the related revaluation reserve is transferred to retained earnings.

Land is not depreciated.

Equipment is stated at cost, less accumulated depreciation and any impairment losses. The cost of such assets is depreciated on a straight-line basis over their estimated useful lives.

Expenditures for maintenance and repairs are charged to the income statement as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

The leases entered into by ING Belgium are operating leases. The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Breakdown of property and equipment by useful lives	
In years	**2013**
Owner-occupied land and buildings	33
IT equipment	5
Office equipment	10
Cars	4
Other equipment	7

7.6.4.9.2 Investment property

Investment property is stated at fair value on the balance sheet date. Changes in the carrying amount resulting from revaluations are recorded in the income statement. On disposal, the difference between the sale proceeds and book value is recognised in the income statement.

Fair value of investment property is based on regular appraisals by independent qualified appraisers.

Investment properties are not depreciated.

7.6.4.10 Goodwill and intangible assets

7.6.4.10.1 Goodwill

ING Belgium's acquisitions are accounted for under the purchase method of accounting, whereby the cost of the acquisitions is allocated to the fair value of the assets, liabilities and contingent liabilities acquired. Goodwill - being the difference between the cost of the acquisition (including assumed debt) and the bank's interest in the fair value of the acquired assets, liabilities and contingent liabilities on the acquisition date - is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the income statement from the date control is obtained.

Goodwill is only capitalised on acquisitions after the date of implementing IFRS. Accounting for acquisitions before that date is not restated; goodwill and internally generated intangibles on those acquisitions are directly charged to shareholders' equity. Goodwill is allocated to cash-generating units for the purpose of impairment testing. These cash-generating units are the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The impairment testing is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the cash-generating unit (including goodwill) is compared to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value as of the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recorded as an adjustment to goodwill. Any subsequent adjustment is recognised as income or expense. However, recognition of deferred tax assets after the acquisition date is recorded as an adjustment to goodwill, even after the first year.

On disposal of group companies, the difference between the sale proceeds and book value (including goodwill) and the amount recorded in the currency conversion reserve in equity is included in the income statement.

Goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise. Fair value of assets and liabilities acquired are based on discounted cash flow model.

7.6.4.10.2 Computer software

Computer software that has been purchased or internally generated for own use is stated at cost, less depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the item. This period is a minimum of five years. Depreciation is included in other expenses.

Internally generated software should only be capitalised if all of the following requirements are met:

- ING Belgium has the feasibility of completing the intangible asset, so that it will be available for use or sale;
- ING Belgium has the intention to complete the intangible asset and use or sell it;
- ING Belgium has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits; among other things, the bank must be able to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ING Belgium has adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset;
- ING Belgium is able to reliably measure the expenditure attributable to the intangible asset during its development.

Projects with regard to internally generated software for own use are considered for capitalisation if they reach or exceed EUR 2.5 million in value.

7.6.4.10.3 Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic lives. Intangible assets with an indefinite life are not amortised.

7.6.4.11 Provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, whereas the timing or the amount is uncertain. Unless otherwise stated, provisions are discounted using a pre-tax discount rate to reflect the time value of money. The determination of provisions is an inherently uncertain process, involving estimates of amounts and timing of cash flows. Reorganisation provisions include employee termination benefits, when ING Belgium is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

As a general rule, a provision or a part thereof should be released only when:

- cash is received, which results in the present value of the expected future cash flows increasing compared to previous estimates (partial release) or exceeding the carrying amount (full release);
- liabilities are extinguished and no claims whatsoever may be expected, in the case of contingent exposures.

7.6.4.12 Employee benefits : pension obligations

7.6.4.12.1 Pension schemes

ING Belgium entities operate various pension schemes. These are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. ING Belgium has both defined-benefit and defined-contribution plans.

A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually depending on one or more factors such as age, seniority and compensation.

The liability (or asset) recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the balance sheet date, less the fair value of the plan assets.

Plan assets are measured at fair value at balance sheet date. For determining the pension expense, the return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

The defined-benefit obligation is calculated annually by internal and external actuaries, using the projected unit credit method.

Inherent in the actuarial models are assumptions including discount rates, rate of increase in future salary and benefit levels, mortality rates, health-care costs trends, consumer price index and the expected return on plan assets. The assumptions are based on available market data and the historical performance of plan assets. They are updated annually.

The actuarial assumptions may differ significantly from the 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 defined-benefit plan liabilities and future pension costs. The effects of changes in actuarial assumptions and experience adjustments are recognised through equity.

Any past service cost is recognized in the profit and loss account.

For defined-contribution plans, ING Belgium pays contributions to publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

7.6.4.12.2 Other post-retirement obligations

ING Belgium provides post-retirement health care and other benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum period of service. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined-benefit pension plans.

7.6.4.13 Income tax expenses

Income tax on income for the year comprises current and deferred tax. Income tax is recognised in the income statement, except when it relates to items directly recognised in equity, in which case it is recognised in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been substantially enacted by the time of the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred tax liabilities are provided on temporary differences arising from investments in subsidiaries and associates, except when the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges that are directly charged or credited to shareholders' equity is also directly credited or charged to equity and subsequently recognised in the income statement, together with the deferred gain or loss.

7.6.4.14 Income recognition

7.6.4.14.1 Net interest income

Net interest income is recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, ING Belgium estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not consider future credit losses. The calculation includes all fees and basispoints paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Net interest income from trading positions and non-trading derivatives are classified in a separate line of the income statement. Movements in the fair value are included in net trading income.

Once an impaired loan or a portfolio of impaired loans has been written down to its estimated recoverable amount, interest income is thereafter recognised, based on the interest rate that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The rationale of this is that, as time passes, the value of expected future cash flows increases as the time to realisation decreases; this unwinding effect is recognised as interest income.

Underlying source systems may either (i) suspend interest income due on impaired loans or (ii) continue to recognise it in full. An adjustment to interest income is required in both cases in order to recognise the correct amount of interest: upward under (i) and downward under (ii).

Actual interest receipts on impaired loans ('late payments') should be applied against interest accruals/principal depending on the probability of bankruptcy of the borrower. Interest receipts are either applied first to principal (when bankruptcy is probable) or first to interest (when bankruptcy is not probable).

7.6.4.14.2 Net fee and commission income

Fees and commissions are generally recognised when a service has been provided.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Fees and commissions arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service has been provided.

Asset management fees related to investment funds and investment contract fees are recognised rateably over the period the service is provided. The same principle is applied for planning and custody services that are continuously provided over an extended period of time.

7.6.4.14.3 Dividend income

Revenue is recognised when ING Belgium's right to receive the payment is established.

7.6.4.15 Dividend policy description

The Board of Directors convenes general meetings and decides on their agenda. It sets the date for payment of dividends. The Board may decide to pay interim dividends for the current period, subject to the conditions laid down by law. It also sets the amount and date of the payment.

7.6.4.16 Fiduciary activities

The bank commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of ING Belgium.

7.6.4.17 Share-based payment transactions

Option rights and share plans on ING Group shares have been granted by ING Belgium to a number of senior executives and managers (equity settled transactions).

The purpose of the option and share schemes, apart from promoting a lasting growth of ING Belgium, is to attract, retain and motivate senior executives.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, ING Belgium revises its estimates on the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

7.6.4.18 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received, on the date the guarantee was given.

Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at initial measurement, less amortisation.

The premium received is recognised in the income statement in net fees and commission income on a straight-line basis over the life of the financial guarantees.

Any increase in the liability relating to guarantees is recorded in the income statement under 'other operating income'.

7.6.5 Risk management

The traditional role of a commercial bank is to attract deposits, which it then uses to grant loans. This role implies a two-fold transformation: in transaction value and duration.

In addition to this conventional business, known as 'on-balance sheet' activities, commercial banks have introduced a growing number of new off-balance sheet instruments with the common aim of managing different types of risks: credit, liquidity, interest rate, exchange rate and equity risks. These transactions are known as 'derivatives' and generally no funds are exchanged upon their conclusion.

The interest rate risk, exchange risk and equity risk are usually grouped under the generic term 'market risk'.

The management of credit risk has been entrusted to the bank's Credit Risk Management Department, which is part of the credit policy and decision line. The Risk Management Department is responsible for the management of liquidity risk, market risk and operational risk. The Legal Department manages legal risk.

7.6.5.1 Credit risk

Credit risk is the risk of loss resulting from the default by debtors or counterparties. Credit risk arises in the bank's lending, pre-settlement and investment activities, as well as in its trading activities. Credit risk management is supported by dedicated credit risk information systems and internal rating methodologies for debtors and counterparties.

7.6.5.1.1 Policy

ING Belgium's credit policy is aimed at maintaining a diversified loan and bond portfolio while avoiding large risk concentrations.

The task of defining the risk policy applicable to credit transactions and the bank's investment portfolio lies with the Credit Policy Committee, chaired by the Managing Director responsible for risk management. This policy is in keeping with the general policy of ING Group. It is laid down in a credit policy manual and translated into credit procedures, which are made available to all those responsible for credit applications, decisions and monitoring.

7.6.5.1.2 Decision-making structures

Depending on the type and size of loans, the granting and monitoring process is subject to a strictly supervised procedure, delegating powers to various approval authorities. A similar procedure applies to operational risks relating to loan and derivatives contracts, acceptance of collateral and overdraft monitoring, as well as pre-litigation and litigation. As already stated above, legal risk assessment is the responsibility of the Legal Department.

Credit decision-making powers are currently divided between three separate structures:

- Mandates: The decision authority that can be exercised is expressed in mandate levels. The mandates decide on the maximum credit lines granted to a client in the framework of the bank's commercial activity.

  All decisions are taken by a maximum of two mandates:

  - One advisory-level mandate, and
  - One decision-level mandate.

  A mandate level consists mostly of (‘twins’ principle):

  - One ‘Approval Signatory’ from Front and
  - One ‘Approval Signatory’ from Risk Management.

  Decisions beyond a certain level of commitments require the opinion of a credit analyst.
- Securities committees: They decide on the bank's investment strategy for its own financial instruments portfolios. The Credit Risk Management Department compiles the analyses and documents for the Central Securities Committee.
- Standardised loans: The bank has developed an automatic system to assist with the decision-making process for the granting of standardised loans. The system is based on the rating of the client, its reimbursement capacity, internal and/or external notoriety information, total amount of his commitments and some specific rules linked to the type of debtor and product.

Files with problems are closely monitored. When appropriate, specific mandates decide the rapid implementation of precautionary measures. Problem cases are identified, among others, by a series of automated warning signs.

7.6.5.1.3 Diversification of risks

In accordance with the principles applied by the regulatory authorities for calculating major risks, no borrower (neither a corporate customer nor a financial institution or a group) represents a risk greater than 25% of the bank's own funds. Intercompany exposure is limited at 100% of own funds.

ING Group has developed a set of "Golden Rules", which determine at the level of the entire group the lending limits per consolidated borrower, expressed as notional amounts and economic capital. In addition ING Belgium has set a limit (Event Risk) expressed in maximum loss on a consolidated borrower.

ING also aims to have its portfolio well diversified over economic sectors. Ing Belgium has set up limits on sector concentrations combining size and sensitivity to a negative migration of a sector (Systemic Risk).

ING Belgium credit portfolio: breakdown by economic sector		
In %	**2013**	**2012**
Automotive	1,23%	1,32%
Builders & Contractors	4,12%	4,02%
Central Banks	1,68%	1,19%
Central Governments	11,86%	12,09%
Chemicals, Health & Pharmaceuticals	3,59%	3,92%
Civic, Religious & Social Organizations	0,29%	0,30%
Commercial Banks	4,55%	4,42%
Food, Beverages & Personal Care	5,04%	3,80%
General Industries	5,49%	5,68%
Lower Public Administration	4,85%	4,84%
Media	1,15%	0,90%
Natural Resources	11,04%	9,94%
Non-Bank Financial Institutions	3,53%	3,68%
Private Individuals	15,06%	16,46%
Real Estate	5,56%	5,86%
Retail	2,67%	2,59%
Services	9,09%	10,25%
Technology	0,67%	0,61%
Telecom	0,99%	0,81%
Transportation & Logistics	3,29%	3,62%
Utilities	2,28%	1,63%
Other	1,96%	2,09%
Totals	**100,00%**	**100,00%**

7.6.5.1.4 Counterparty risks linked to derivative transactions

Derivative transactions concluded with customers are covered with another counterparty of the group. Moreover, the bank signs framework agreements with these institutions, based on the model provided by the International Swaps and Derivatives Association (ISDA). In most developed countries, these contracts among others allow the debit and credit positions of a defaulting counterparty to be offset, which in many cases considerably reduces the risk. Certain contracts also require the deposit of a cover (collateralisation) if the net position exceeds a predetermined amount.

The bank applies a rigorous policy for monitoring the counterparty risk linked to such transactions:

- each derivative contract is associated with a real credit risk (‘present value’) and a potential credit risk (‘potential future exposure’, or ‘PFE’);
- the assessment of outstandings per counterparty takes account of existing offsetting and collateralisation agreements;
- each counterparty must have an adequate credit limit, granted by the appropriate decision-making level and managed globally in real time for all dealing rooms.

A computerised application monitors in real time the risks on the bank's counterparties and constantly updates the consolidated position of the use of credit limits in all the dealing rooms. This application is backed up by a legal database which enables automatic, real-time recognition of new transactions which could be legally offset against other financial markets transactions. With this instrument, the bank is able to efficiently calculate risk netting and thus make more productive use of credit limits.

7.6.5.1.5 Minimum capital adequacy requirements – Basel II

Different models for credit [Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD)] as well as market and operational risks have been elaborated in conformity with Basel II. They are used within the entire ING Group.

A reconciliation process has been worked out to obtain certitude on the completeness and accuracy of the reported figures. Moreover, the Internal Capital Adequacy Assessment Process (ICAAP) as required by the NBB (National Bank of Belgium) has been elaborated in close cooperation with ING Group.

7.6.5.1.6 Credit exposure

The credit exposure of ING Belgium mainly relates to traditional lending to individuals and businesses. Loans to individuals are mainly mortgage loans, secured by residential property. Loans to businesses are often collateralised, but can be unsecured based on internal analysis of the borrowers' creditworthiness. Presettlement credit exposure arises also from trading activities, for instance in derivatives, repurchase transactions and securities lending/borrowing. The bank uses various market pricing and measurement techniques to determine the amount of credit risk on presettlement activities. These techniques estimate in particular ING Belgium's potential future exposure on individual and portfolios of trades. Master agreements and collateral agreements are frequently entered into with the aim of reducing these credit risks.

Credit exposure		
In EUR thousands	**2013**	**2012**
Equity	1.278.216	1.828.048
Debt instruments	23.104.605	24.907.357
Loans & advances	93.809.236	94.513.368
Derivatives	16.954.469	37.314.459
Other	0	-
Total	**135.146.526**	**158.563.232**

Risk classes are defined based upon the credit quality of the client, varying from investment grade to problem grade and expressed in Moody's and S&P equivalents.

ING Belgium credit portfolio: breakdown by risk classes (1)		
In %	**2013**	**2012**
AAA	2,11%	2,82%
AA	21,19%	19,22%
A	13,87%	17,17%
BBB	27,09%	26,22%
Subtotal investment grade	***64,26%***	***65,42%***
BB	22,02%	22,33%
B	9,32%	8,14%
Watch/Problem grade	4,39%	4,11%
Total	**100,00%**	**100,00%**

(1) Based on outstanding excluding Intercompany

The ING Belgium credit portfolio is under constant review. Files above a certain amount are reviewed at least once a year. Moreover, portfolio committees per business with the participation of the management of risk and of front office are organised quarterly.

A formal analysis takes place quarterly to determine the provisions for possible bad debts, using a bottom-up approach. Conclusions are discussed by the ING Provisioning Committee, which advises the Executive Board on specific provisioning levels. ING Belgium identifies as impaired loans those loans for which it is probable, based on current information and events that the principal and interest amounts contractually due will not be collected in accordance with the contractual terms of the loan agreements.

Off-balance sheet exposures of ING Belgium include given guarantees, letters of credit and credit lines. Guarantees relate both to credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Belgium in respect of credit granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. The guarantees are generally of a short-term nature.
Irrevocable letters of credit mainly secure payments to third parties for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. The bank's credit risk in these transactions is limited since these transactions are collateralised by the commodity shipped and are of a short duration.

Irrevocable facilities mainly constitute irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

7.6.5.1.7 Country risk

Country risk is the risk which is specifically attributable to events in a given country or group of countries. Country risk is identified in lending (corporate and counterparty), trading and investment activities. All transactions and trading positions generated by ING Belgium include country risk. Country risk is further divided into economic and transfer risk. Economic risk is the risk resulting from any event in the country which may affect transactions and other exposure in that country, regardless of the currency. Transfer risk is the risk that debtors in a country are unable to ensure timely payments of foreign currency debt service due to transfer of exchange restrictions, or a general lack of foreign currency liquidity.

In countries where the bank is active, the relevant country's risk profile is regularly evaluated, resulting in a country rating. Country limits are based on this rating. Exposures derived from lending and investment activities are then measured and reported against these country limits on a daily basis.

ING Belgium credit portfolio: breakdown by country [1]

In EUR billions	2013	2012
Belgium	87,35	85,22
Switzerland	6,05	6,10
Luxembourg	5,54	4,28
France	4,88	10,82
United States	4,69	4,54
Netherlands	3,63	3,93
Spain	3,58	5,29
Germany	3,14	3,83
United Kingdom	1,92	3,13
Russian Federation	1,40	1,62

[1] Based on exposure excluding Intercompany. Selected countries: 10 largest.

7.6.5.1.8 Collateral policies

As with all financial institutions and banks in particular, ING Belgium is in the business of taking credit risks. As such, the creditworthiness of its customers, trading partners and investments is continually evaluated for their ability to meet their financial obligations to ING Belgium. During the assessment process of creating new loans, trading limits or investments, as well as reviewing existing loans, trading positions and investments, ING Belgium determines the amount and type of cover, if any, that a customer may be required to give in order to secure its position. Generally, the lower the perceived creditworthiness of a borrower or financial counterparty, the more cover the customer or counterparty will have to provide. Covers received for ING Belgium's lending activity mainly consist of mortgages, cash and guarantees.

Within counterparty trading activities, ING Belgium actively enters into various legal arrangements whereby counterparties (or ING Belgium) may have to post collateral to one another to cover market fluctuations of their relative positions. Laws in various jurisdictions also affect the type and amount of collateral that ING Belgium can receive or pledge. Additionally, the bank will sometimes enter into credit default swaps and other similar instruments in order to reduce the perceived credit risk on a given borrower or portfolio.

Covers for Performing Loans - 2013											
	Outstandings	Cover amount based on ING internal valuation methods								Outstandings with No Cover	
In EUR thousands		Mortgages		Cash		Guarantees		Other			
Mortgage Loans	29.911.384	23.790.175	79,5%	35	0,0%	227	0,0%	3.194	0,0%	133.657	0,4%
Other Retail	8.891.431	1.782.452	20,0%	35.947	0,4%	564.625	6,4%	1.393.084	15,7%	1.984.135	22,3%
Corporate	45.233.362	3.959.120	8,8%	1.421.909	3,1%	11.829.633	26,2%	14.858.233	32,8%	7.165.413	15,8%
Institutions	7.417.034	36.252	0,5%	97.146	1,3%	1.386.626	18,7%	812.135	10,9%	4.422.609	59,6%
Central Governments & Central Banks	2.511.384	14.239	0,6%	959	0,0%	129.631	5,2%	98.182	3,9%	1.826.992	72,7%
Total	**93.964.594**	**29.582.237**	**31,5%**	**1.555.996**	**1,7%**	**13.910.742**	**14,8%**	**17.164.829**	**18,3%**	**15.532.806**	**16,5%**

Covers for Problem Loans - 2013											
	Outstandings	Cover amount based on ING internal valuation methods								Outstandings with No Cover	
In EUR thousands		Mortgages		Cash		Guarantees		Other			
Mortgage Loans	697.574	618.219	88,6%	7	0,0%		0,0%	15	0,0%	4.845	0,7%
Other Retail	423.864	210.925	49,8%	802	0,2%	25.990	6,1%	23.178	5,5%	40.503	9,6%
Corporate	1.356.638	713.527	52,6%	6.144	0,5%	135.059	10,0%	271.289	20,0%	65.595	4,8%
Institutions	4.234	1.887	44,6%	0	0,0%	6	0,1%	52	1,2%	3.750	88,6%
Central Governments & Central Banks	17		0,0%		0,0%		0,0%		0,0%	6	33,4%
Total	**2.482.328**	**1.544.558**	**62,2%**	**6.953**	**0,3%**	**161.055**	**6,5%**	**294.533**	**11,9%**	**114.700**	**4,6%**

1. Cover type 'Mortgages' does <u>not</u> include mortgage mandates. Mortgage mandates are captured in category 'Other'.
2. Cover amounts are based on ING internal valuation methods i.e. using ING internal model haircuts per cover type. This was only partially the case in 2011, which explains the large difference obesrved for mortgages between 2011 and 2012.
3. The cover amount of a particular cover is not capped at the outstanding amount of the loan i.e. surplus cover amounts for a particular loan are also captured in the total displayed cover amount
4. In case multiple covers are received for a particular loan, the sum of the different cover amounts is displayed (this sum can be higher than the loan amount).

7.6.5.1.9 Allowances for credit policies

Allowance movements for credit losses				
	Specific allowances for individually and collectively assessed financial assets		Allowances for incurred but not reported losses on financial assets	
In EUR thousands	2013	2012	2013	2012
Opening balance	**749.592**	**886.998**	**95.374**	**88.190**
Changes in the group		-		-
Write-downs taken against the allowance	-96.694	-54.990		-
Amounts set aside for estimated probable loan losses	291.275	274.968	20.054	26.282
Amounts reversed for estimated probable loan losses	-126.248	-97.820	-15.148	-21.286
Foreign exchange rate differences	-645	533	-10	-
Unwinding interests	-306	-249	2.473	2.606
Other adjustments	-42.225	-259.848	-1.653	-418
Transfers between items		-		-
Closing balance	**774.749**	**749.592**	**101.090**	**95.374**
Recoveries directly recognised in the income statement	24.978	23.738		
Charge-offs directly recognised in the income statement	76.011	60.190		

7.6.5.1.10 Past due obligations

ING Belgium continually measures its portfolio in terms of payment arrears. Particularly the retail portfolios are closely monitored on a monthly basis to determine if there are any significant changes in the level of arrears.

Generally, an obligation is considered ‘past due’ if a payment of interest or principal is more than one day late. In practice, the first 5 to 7 days are considered to be an operational risk.

After this period, letters will be sent to the obligor as a reminder of his/her (past due) payment obligations. If payment has not been made after 90 days, the obligation is generally considered impaired and is transferred to one of the ‘problem loan’ units. In order to reduce the number of arrears, most ING Belgium units encourage obligors to set up automatic debits from their accounts to ensure timely payments. Generally, all loans with past due financial obligations of more than 90 days are automatically reclassified as impaired. However, there can also be other reasons for declaring a loan impaired prior to being 90 days past due. These include, but are not limited to, ING Belgium’s assessment of the customer’s perceived inability to meet its financial obligations or the customer filing for bankruptcy or bankruptcy protection. In some cases, a material breach of financial covenants will also trigger a reclassification of a loan to the impaired category.

Tables below provide information at year end on financial assets that are past due but not impaired.

2013					
In EUR thousands	**Up to 30 days**	**Over 30 days up to 90 days**	**Over 90 days up to 180 days**	**Over 180 days up to 1year**	**Over 1 year**
Debt instruments					
Loans & advances	1.780.017	543.553	47.707	1.981	5.658
Other financial assets					
Total	**1.780.017**	**543.553**	**47.707**	**1.981**	**5.658**

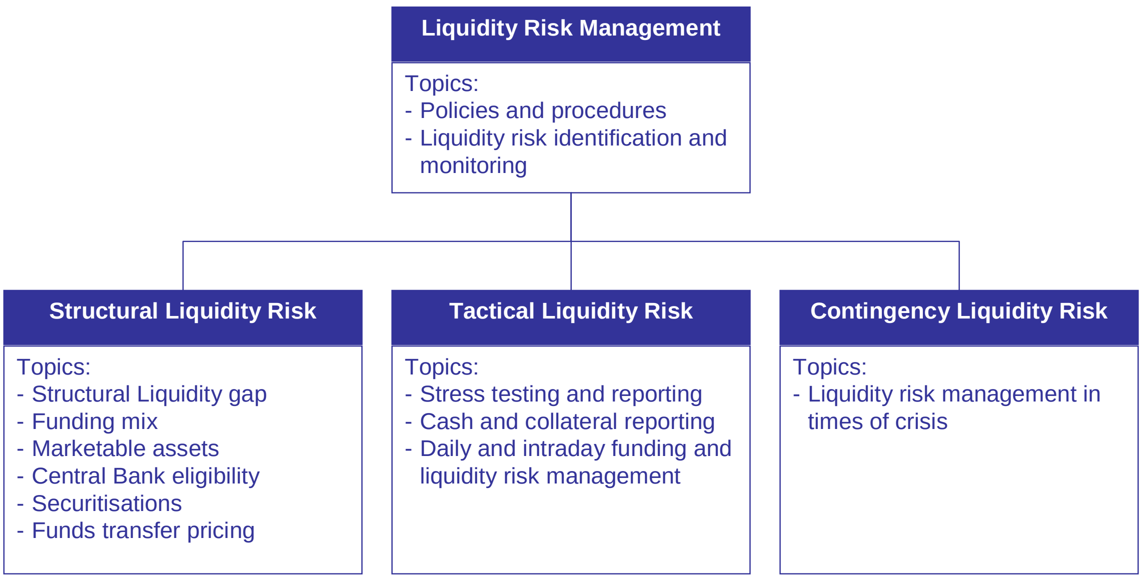
2012					
In EUR thousands	**Up to 30 days**	**Over 30 days up to 90 days**	**Over 90 days up to 180 days**	**Over 180 days up to 1year**	**Over 1 year**
Debt instruments					
Loans & advances	1.281.255	415.392	339	1.480	3.755
Other financial assets					
Total	**1.281.255**	**415.392**	**339**	**1.480**	**3.755**

7.6.5.2 Liquidity risk

7.6.5.2.1 Definition

Liquidity risk is the risk that ING Belgium or one of its subsidiaries cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. Liquidity risk can materialise both through trading and non-trading positions. Within ING Belgium, the Assets and Liabilities Management Committee (ALMAC) bears overall responsibility for the liquidity risk. The main objective of ING's liquidity risk framework is to maintain sufficient liquidity in order to ensure safe and sound operations. For this purpose liquidity risk is considered from three different angles: from a structural, tactical and contingency point of view.

7.6.5.2.2 Liquidity risk framework



7.6.5.2.3 Structural liquidity risk

Structural liquidity risk is the risk that the structural, long-term balance sheet cannot be financed timely or at a reasonable cost. In this view of liquidity risk, the total on- and off-balance sheet positions are considered from a structural asset and liability management perspective. The main objective is to maintain a sound liquidity profile by:

- maintaining a well-diversified mix of funding sources in terms of instrument types, fund providers, geographic markets and currencies;
- holding a broad portfolio of highly marketable assets that can be used to obtain secured funding;
- maintaining an adequate structural liquidity gap, taking into account the asset mix and both the secured and unsecured funding possibilities of ING Belgium;
- maintaining a funds transfer pricing methodology in which the cost of liquidity is adequately reflected both under a going concern and a contingency perspective.

7.6.5.2.4 Tactical liquidity risk

Tactical liquidity risk means considering the liquidity risk from a short-term perspective, i.e., by considering the short-term cash and collateral positions. Day-to-day liquidity management has been delegated to Financial Markets, which is responsible for managing the overall liquidity risk position of ING Belgium.

Within Financial Markets, the focus is mainly on the daily and intraday cash and collateral positions and on sufficiently staggering day-to-day funding requirements. For this purpose the Treasury function monitors all maturing cash flows along with expected changes in core business funding requirements.

The liquidity risk management function is delegated to Market Risk Management (MRM), which bears the responsibility for liquidity risk stress testing and for the identification, measurement and monitoring of the liquidity risk position. For the measurement and monitoring of the actual liquidity position, the focus is on the daily cash and collateral position. For stress testing purposes, the liquidity risk positions are calculated in line with the regulatory reporting requirements for liquidity risk of the Belgian National Bank. In addition to this, a framework is implemented within ING Belgium that sets limits on the overall weekly and monthly liquidity risk positions to ensure adequate buffers of liquidity.

The table below provides a maturity analysis for financial assets and liabilities and shows the remaining contractual maturities.

Maturity analysis for financial assets and liabilities - 2013

ASSETS In EUR thousands	Up to 1 month	1-3 months	3-12 months	Total less than 12 months	1-5 years	over 5years	unknown	Total
Cash & balance with central banks, loans and advances	1.648.292			**1.648.292**				**1.648.292**
Financial assets held for trading	68.867	727.358	2.706.998	**3.503.223**	7.721.610	7.194.564		**18.419.397**
Financial assets at fair value through profit or loss	12.704	0	238.933	**251.637**	21.512	0		**273.149**
Financial assets available for sale	62.949	482.629	1.979.540	**2.525.118**	8.666.245	8.600.436	53.289	**19.845.088**
Loans & receivables	21.287.300	5.432.253	6.919.023	**33.638.576**	26.659.142	36.306.464	4.710	**96.608.892**
- of which loans & advance to banks	*3.389.771*	*361.657*	*2.655.626*	***6.407.054***	*3.741.938*	*531.974*		***10.680.966***
- of which loans & advance to customers	*17.897.529*	*5.070.596*	*4.263.397*	***27.231.522***	*22.917.204*	*35.774.490*	*4.710*	***85.927.926***
Derivatives used for hedging	253.024	24.878	617.615	**895.517**	1.727.909	1.147.823		**3.771.249**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	26.455	9.461	8.164	**44.080**	0	13.083		**57.163**
Investments shares, tangible & intangible assets	0	0	0	-	0	0	1.196.682	**1.196.682**
Other assets	244.390	996.734	138.653	**1.379.777**	237	55.989	214.271	**1.650.274**
Total	**23.603.981**	**7.673.313**	**12.608.926**	**43.886.220**	**44.796.655**	**53.318.359**	**1.468.952**	**143.470.186**

LIABILITIES In EUR thousands	Up to 1 month	1-3 months	3-12 months	Total less than 12 months	1-5 years	over 5years	unknown	Total
Deposits from central banks	195			**195**				**195**
Financial liabilities held for trading	405.686	1.054.497	3.865.028	**5.325.211**	7.726.308	4.200.688	-115814	**17.136.393**
Financial liabilities at fair value through profit or loss	11.751	24.379	437.593	**473.723**	1.671.755	891.912	6.367	**3.043.757**
- of which subordinated liabilities	*2.353*	*3.047*	*23.717*	***29.117***	*12.589*	*0*	*0*	***41.706***
Financial liabilities measured at amortised cost *	87.880.850	5.677.577	2.307.362	**95.865.789**	6.859.544	2.765.204	-45.462	**105.445.075**
- of which funds entrusted by banks	*8.598.072*	*95.904*	*78.389*	***8.772.365***	*610.539*	*567.406*		***9.950.310***
- of which funds entrusted by customers	*79.073.007*	*5.143.220*	*1.388.015*	***85.604.242***	*1.559.645*	*681.067*		***87.844.954***
- of which subordinated liabilities	*339*	*164*	*92.301*	***92.804***	*112.355*	*0*	*-817*	***204.342***
- of which debt securities in issue	*204.847*	*438.289*	*748.657*	***1.391.793***	*4.577.005*	*1.516.731*	*-44.645*	***7.440.884***
- of which other financial liabilities	*4.585*	*0*	*0*	***4.585***	*0*	*0*	*0*	***4.585***
Derivatives used for hedging	287.306	288.934	1.142.430	**1.718.670**	2.781.251	819.427	-521.035	**4.798.313**
Other liabilities	1.594.444	176.646	553.830	**2.324.920**	474.207	134.540	127.909	**3.061.576**
Share capital repayable on demand				-			110.107	**110.107**
Total	**90.180.232**	**7.222.033**	**8.306.243**	**105.708.508**	**19.513.065**	**8.811.771**	**-437.928**	**133.595.416**

Maturity analysis for financial assets and liabilities - 2012

ASSETS In EUR thousands	Up to 1 month	1-3 months	3-12 months	Total less than 12 months	1-5 years	over 5years	unknown	Total
Cash & balance with central banks, loans and advances	1.492.232	-	-	**1.492.232**	-	-	-	**1.492.232**
Financial assets held for trading	5.753.356	1.265.707	3.580.325	**10.599.388**	16.503.151	12.743.709	-	**39.846.248**
Financial assets at fair value through profit or loss	-	5.483	-	**5.483**	272.525	-	-	**278.008**
Financial assets available for sale	439.949	424.421	1.889.744	**2.754.114**	9.069.150	8.805.797	75.919	**20.704.980**
Loans & receivables	21.428.981	4.834.665	6.291.024	**32.554.670**	28.316.823	36.854.728	7.775	**97.733.996**
- of which loans & advance to banks	*3.674.728*	*222.877*	*1.640.943*	***5.538.548***	*5.142.062*	*295.477*	*-*	***10.976.087***
- of which loans & advance to customers	*17.754.253*	*4.611.788*	*4.650.081*	***27.016.122***	*23.174.761*	*36.559.251*	*7.775*	***86.757.909***
Derivatives used for hedging	218.109	232.402	427.366	**877.877**	2.404.210	1.978.514	-	**5.260.601**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	82.236	29.022	25.042	**136.300**	-	44.152	-	**180.452**
Investments shares, tangible & intangible assets	-	-	-	-	-	-	1.173.936	**1.173.936**
Other assets	423.014	533.996	178.241	**1.135.251**	68	242.472	142.047	**1.519.838**
Total	**29.837.877**	**7.325.696**	**12.391.742**	**49.555.315**	**56.565.927**	**60.669.372**	**1.399.677**	**168.190.291**

LIABILITIES In EUR thousands	Up to 1 month	1-3 months	3-12 months	Total less than 12 months	1-5 years	over 5years	unknown	Total
Deposits from central banks	24.746	-	-	**24.746**	-	-	-	**24.746**
Financial liabilities held for trading	2.410.359	3.800.390	15.358.768	**21.569.517**	15.373.586	1.782.785	-246.664	**38.479.224**
Financial liabilities at fair value through profit or loss	51.052	51.542	326.338	**428.932**	2.448.100	431.038	2.600	**3.310.670**
- of which subordinated liabilities	*1.648*	*8.182*	*23.209*	***33.039***	*42.130*	*-*	*-*	***75.169***
Financial liabilities measured at amortised cost *	89.326.803	4.726.212	3.366.852	**97.419.867**	5.816.870	2.641.781	-32.191	**105.846.327**
- of which funds entrusted by banks	*14.471.911*	*96.117*	*205.531*	***14.773.559***	*33.606*	*371.829*	*-*	***15.178.994***
- of which funds entrusted by customers	*74.805.125*	*4.565.658*	*2.631.358*	***82.002.141***	*1.748.727*	*748.565*	*-*	***84.499.433***
- of which subordinated liabilities	*3*	*132*	*714*	***849***	*201.115*	*-*	*-1.140*	***200.824***
- of which debt securities in issue	*46.403*	*64.305*	*529.249*	***639.957***	*3.833.422*	*1.521.387*	*-31.051*	***5.963.715***
- of which other financial liabilities	*3.361*	*-*	*-*	***3.361***	*-*	*-*	*-*	***3.361***
Derivatives used for hedging	324.973	415.073	1.335.287	**2.075.333**	3.748.427	1.134.880	-669.347	**6.289.293**
Other liabilities	1.614.539	88.060	494.774	**2.197.373**	860.215	171.447	13.830	**3.242.865**
Share capital repayable on demand	-	-	-	-	-	-	116.415	**116.415**
Total	**93.752.472**	**9.081.277**	**20.882.019**	**123.715.768**	**28.247.198**	**6.161.931**	**-815.357**	**157.309.540**

* Including financial liabilities associated with transferred assets

The maturity analysis of Liabilities is based on contractual cash flows as required by the March 2009 amendments to IFRS 7. The difference between the contractual cash flows and the balance sheet carrying amount has been reported in the column ‘unknown’.

7.6.5.2.5 Contingency liquidity risk

Contingency liquidity management relates to the organisation and planning for liquidity management in times of stress. ING Belgium has its own Contingency Funding Plan (CFP), which has been approved by the Assets and Liabilities Management Committee (ALMAC) of ING Belgium. The CFP is also aligned with that of the ING Group via the functional lines that exist between global treasurers and local treasurers, and between global risk management and local risk managers.

The main objective of ING Belgium’s CFP is to enable senior management to act effectively and efficiently at times of crisis. The CFP has been established to address temporary and long-term liquidity disruptions caused by a general event in the market or an ING-specific event. It ensures that all roles and responsibilities are clearly defined and all necessary management information is in place.

A specific liquidity crisis team is responsible for the liquidity management in times of crisis. The crisis team of ING Belgium is composed among others of the CRO, the CFO, the Board members in charge of Commercial and Retail Banking, the head of MRM ALM, the General Manager of Financial Markets and the Head of Financial Markets Treasury.

7.6.5.3 Market risk

Market risk is the risk of losses due to fluctuations in market risk factors, which include share prices, interest rates, exchange rates and commodity and property prices.

Market risk arises from trading and non-trading activities. Trading market risks arise within ING Belgium Commercial Banking primarily through market-making and client facilitation in the fixed income, equities and foreign exchange markets, as well as in the directly related derivative markets. Non-trading market risk related to transactions over 1 year in euros is transferred to the Interest Rates Management (IRM) books. These are structural interest rate mismatch positions that result from commercial banking activities.

7.6.5.3.1 Decision-making structures and monitoring bodies

Twice a month, the Executive Committee meets in the Assets and Liabilities Management Committee (ALMAC) to analyse among others the major gapping items relating to assets and liabilities (on- and off-balance sheet). Replicating models are used to set the theoretical maturities in respect of assets and liabilities for which maturities are not contractually known. The Strategic Liquidity and Interest Management Task Group (SLIM) meets each week. It advises the ALMAC on interest rates, funding and balance sheet management issues. The responsibility for and the approval of the management of the interest and liquidity risks and balance sheet management remain with the ALMAC.

Activities of Financial Markets and their support departments are reviewed by a weekly Financial Markets Committee, which is headed by the member of the Executive Committee in charge of all financial markets operations.

The Market Risk Management Department coordinates the daily monitoring of market risks on a consolidated basis. It also compiles the analyses and documentation required for the smooth running of the ALMAC and the Financial Markets Committee.

7.6.5.3.2 Value at risk

Potential risks relating to exchange rate, interest rate, share price fluctuations and related risk factors must be kept under control.

Dealing room transactions are recorded, per strategic category, in dealer books, which in turn are grouped into market books according to the type of activity. Accounting rules are applied at the level of market books. These are classified as banking or trading books, pursuant to the Capital Adequacy Directive (CAD).

Market book positions are monitored daily by the Market Risk Management Department. Different limits apply:

1) an open position risk limit is fixed on the basis of Value at Risk (VaR). VaR for market risk quantifies, with a one-sided confidence level of 99%, the maximum overnight loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, credit spreads, implied volatilities) if positions remained unchanged for a time interval of one day;
2) the sensitivities of the important market risk parameters are held against limit per market book in Trading. A sensitivity describes the impact of a change in a market risk parameter on the P&L.
3) stop loss and trigger point limits (expressed in term of VaR) are applied to the overall result per market book since the beginning of the year. As regards the trigger point limit, it leads to the analysis and the close monitoring of the position. When the stop loss limit is reached, the position should be liquidated upon decision of the Financial Markets Committee.

Precise requirements have been laid down as regards reporting to the Financial Markets Committee. In this respect, the bank applies best market practices by calculating its consolidated VaR daily.

The bank uses a consistent approach to all risks. In addition, operators in the dealing rooms are provided with risk management information relating to their individual positions.

The bank also regularly estimates the possible repercussions of extraordinary market trends on VaR and on results ('stress testing'). These estimates supplement daily VaR and back-testing calculations.

The impact of historical market movements on today's portfolio is estimated based on equally-weighted, observed market movements of the previous 260 business days.

The National Bank of Belgium (NBB) granted approval for the use of the Historical Value at Risk (HVaR) on 13 December 2011. The approval of the NBB as regards the use of the Stressed Value at Risk (SVAR) and of the Incremental Risk Charge (IRC) was granted on 20 December 2011.

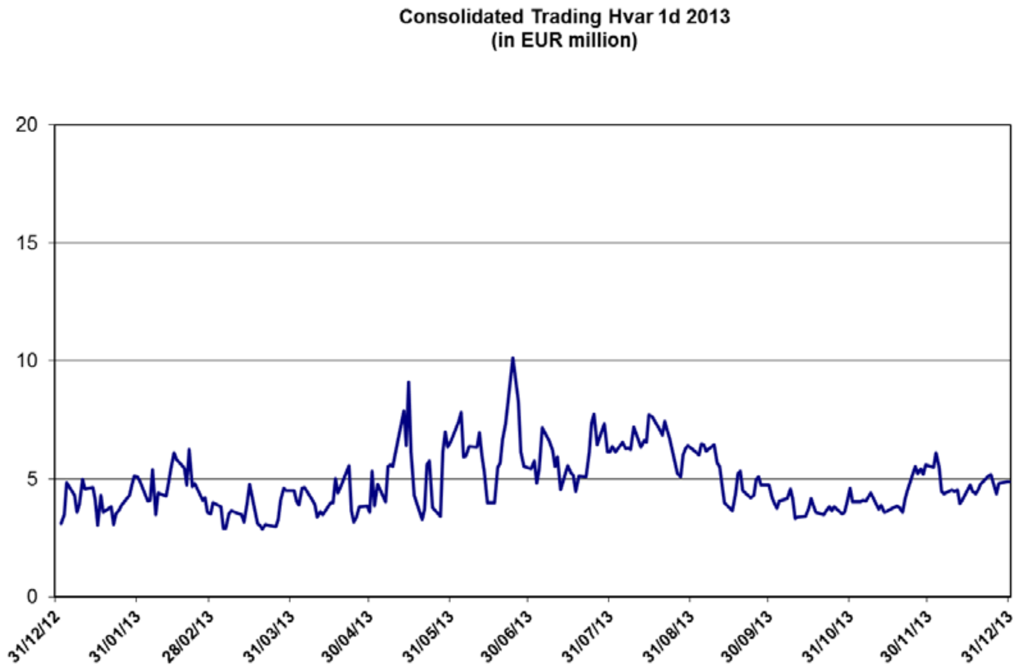
The calculation of VaR through historical simulation is done by generating scenarios based on a sample of historical returns that are associated with each individual risk factor. These historical returns are applied to the current level of the risk factor in order to generate simulated scenarios. The valuation of the portfolio under these various scenarios gives a distribution of possible portfolio values. The VaR is the loss figure at a predefined percentile. In the daily monitoring of the trading books, ING uses a VaR for a 1-day time horizon with a 99% confidence level.

Stressed VaR is calculated with the exact same settings as 10-day 99% HVaR, except for the historical market data period used. The period 1 November 2007 – 31 October 2008 has been chosen for this 1-year period as this period was a stress period for the Trading activity of the bank. This stressed period is regularly reviewed.

The Incremental Risk Charge (IRC) is defined as an estimate of default and migration risk of unsecuritised credit products in the trading books over a one-year capital horizon at a 99.9% confidence level. Default risk is defined as the P&L impact due to an issuer defaulting. Migration risk is defined as the P&L impact due to a migration in credit rating of an issuer.

As per the recommendations of the Basel Committee, the calculation of the consumption in shareholders' funds (CAD), which was calculated for the first time for the situation date of as 31 December 2011, is based on the maximum either of the last day 10-day VaR or of the average 10-day VaR over the previous 60 days multiplied with a capital multiplication factor granted by the regulator (currently set to 3). Furthermore, an additional charge for the Stressed VaR for a time interval of 10 days multiplied with a capital multiplication factor granted by the regulator (currently set to 3) and the Incremental Risk Charge (which replaces the former specific market risk charge) must be taken into account.

The following chart shows the development of the overnight VaR for the bank's trading portfolio which was managed by trading risk management during 2013.



Consolidated trading VaR 1d		
In EUR millions	**2013**	**2012**
VaR as at 31 December		
Highest VaR	10,1	21,5
Lowest VaR	2,9	2,2
Average VaR	4,9	8,6
Backtest outliers	0	0

Although VaR models estimate potential future results, estimates are based on historical market data and the bank continuously monitors the plausibility and effectiveness of the VaR model in use. The technique for this purpose is generally known as back-testing, in which the actual daily result is compared with the daily VaR as calculated by the model. In addition to using actual results for back-testing, the bank also uses hypothetical results, which measure results excluding the effect of intraday trading, fees and commissions. When the actual or hypothetical loss exceeds the VaR, an ‘occurrence’ has taken place. Based on ING Belgium’s one-sided confidence level of 99%, an occurrence is expected, on average, once every 100 business days.

Since VaR in general does not produce an estimate of the potential losses that can occur as a result of extreme market movements, the bank uses structured stress testing to monitor the market risk under these extreme conditions. Stress scenarios are based on historical and hypothetical extreme events. The result of the stress testing is an event-risk number, which is an estimate of the income statement effect caused by a potential event and its worldwide impact for ING Belgium Commercial Banking. The event-risk policy (and its technical implementation) is specific for ING Belgium, as there is no event risk calculation method that is generally accepted by other banks and regulators (unlike the Value-at-Risk model). The bank’s event-risk policy basically consists of defined stress parameters per country and per market (fixed income, equity, foreign exchange and related derivative markets). Changes are based on relative (%) changes for equity and foreign exchange markets. For interest rates and credit spread markets, absolute shifts are used. Per region/market different unwinding periods are assumed. Depending on the liquidity of the market, an unwinding period of two, three or four weeks is used for estimating the largest shift historically seen in the market. The basis for the setting of parameters is ten years of history, effectively taking into account all events that occurred in the past ten years. The scenarios and stress parameters are back-tested against extreme market movements that actually occur in the markets.

7.6.5.3.3 Interest rate risk in the non-Trading portfolio

The interest rate (or mismatching) risk results from gaps between maturing assets and liabilities (final maturities or rate review maturities) both on- and off-balance sheet. Depending on their nature and the trend in rates, they may have a positive or negative impact on the interest margin: if the bank is regularly a net daily borrower in times of falling rates, this will benefit its interest margin; should rates rise before the bank reverses its position, the opposite will occur.

As it is not possible to correctly forecast the trend in rates at all times, the interest rate risk must be managed through absolute authorised amounts of gaps for pre-defined periods in the future. At this level, there is a direct link between the volume and the remaining duration of the positions. ING Belgium uses several methods to control interest rate risk. The most important ones are Value at Risk (VaR), basis point value (BPV) and Earnings at Risk (EaR). The bank constantly monitors its maturity profiles, interest rate sensitivity and VaR per dealer book.

7.6.5.3.4 Foreign exchange risk

The bank takes on exposure to foreign exchange fluctuations on its financial position and cash flows. Currency exposures in the non-trading books are transferred by way of internal transactions to Financial Markets Treasury, which performs the day-to-day management of all foreign currency positions.

7.6.5.4 Operational risk

The ING Belgium Operational & Compliance Risk Department is the second line of defence department within ING Belgium for the management of the non-financial risks (Operational and Compliance risks).

7.6.5.4.1 Scope of operational risks

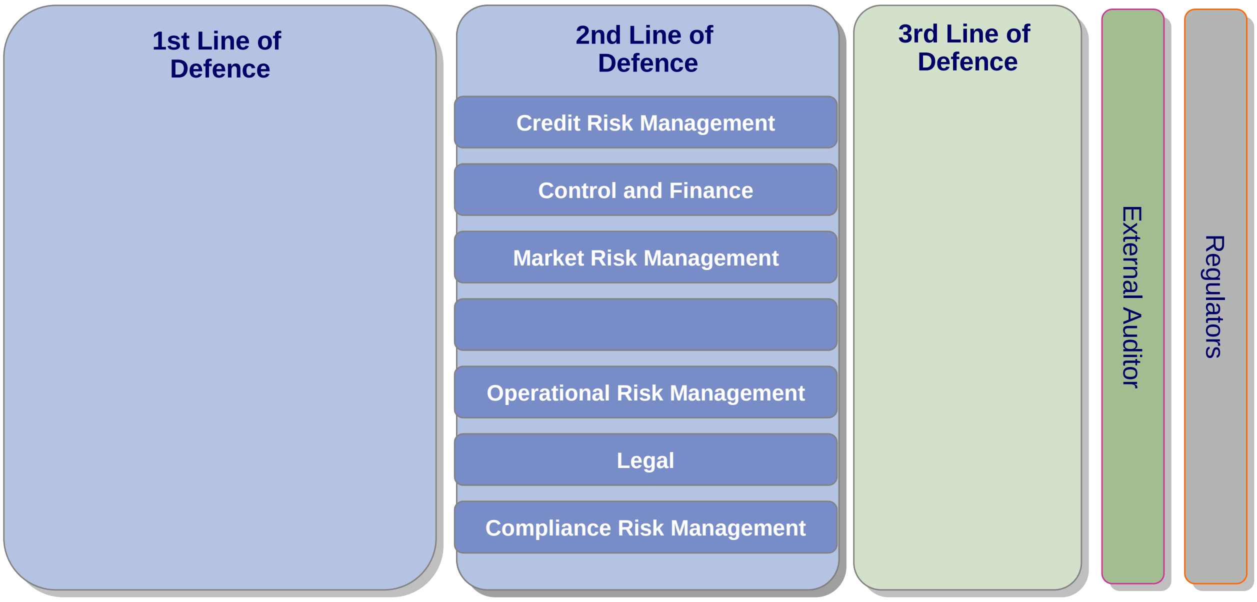
Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes also reputational and legal risk. Strategic risk is not part of operational risk. Operational risk in general is an umbrella category for a number of sub-risks derived from Basel II:

- Control risk
- Unauthorised Activity risk
- Processing risk
- Employment Practice risk
- Personal & Physical Security risk
- Information (Technology) risk
- Continuity risk
- Compliance risk
- Internal Fraud risk
- External Fraud risk

Note that Compliance Risk is part of the Basel II definition of operational risk. However, within the ING setup, compliance risks are mentioned separately as different functional reporting lines, separate from Operational Risk Management.

7.6.5.4.2 Lines of defence

For managing risks the ING Executive Board has chosen the three lines of defence risk governance model.



7.6.5.4.2.1 First line of defence

Heads of ING businesses have primary responsibility and accountability for the effective control of risks affecting their business (the 'first line of defence'). The first line of defence is responsible for the implementation and execution of ING's risk policies, minimum standards and the framework set by the second line of defence. Examples of typical first-line-of-defence activities are:

- perform Integrated Risk Assessments and evaluate related responses to ensure that only business acceptable risks remain;
- implement and maintain the applicable mandatory controls of the CORM* & Compliance policies, minimum standards, local laws and regulations;
- ensure the operating effectiveness of the key controls.

* Corporate Operational Risk Management (CORM) is part of the Corporate Risk group and reports to the Chief Risk Officer who is a member of the Executive Board. CORM has the specific mandate to:

- advise the Executive Board on the implementation of the ORM organisation, processes and systems;
- develop the operational risk strategies and policies, and set the objectives and minimum standards for the management of the operational risks. The general manager of CORM approves the policies and minimum standards;
- provide functional leadership regarding the ORM function, framework and processes, and take functional decisions if and when required;
- oversee the ORM function and set the objectives for ORM;
- determine the regulatory and economic operational risk capital charge;
- monitor the key risks of ING Group and ensure that ING's risk policies and minimum standards are fully implemented.

7.6.5.4.2.2 *Second line of defence*

Risk management functions (the ‘second line of defence’) are partner of and support the first line of defence's risk management activities. Risk management functions are 'independent' of the management and personnel that originate the risk exposures. Examples of typical second-line-of-defence activities are:

- oversee and objectively challenge the execution of risk management activities;
- monitor the key risks of the business;
- exercise the authority to escalate risk management issues to the next higher level and/or veto high-risk business activity;- assist the first line of defence to ensure compliance with ING’s risk policies and minimum standards.

7.6.5.4.2.3 *Third line of defence*

Corporate Audit Services (CAS) operates as the ‘third line of defence’. CAS’s mission is to provide an independent assessment of the design and effectiveness of internal controls over the risks to ING’s business performance. In carrying out this work, CAS provides specific recommendations for improving the governance, risk and control framework.

7.6.5.4.3 Hierarchical organisation

The ING Belgium Operational & Compliance Risk Department is organized in four main divisions:

- MLRO;
- Compliance Advisory and Monitoring;
- ORM Advisory;
- Information Risk Management.

The ‘MLRO’ division consists of the Money Laundering team managed by a Head (also the MLR/ FEC officer of ING Belgium) who reports directly to the Head of Compliance.

The ‘Compliance Advisory and Monitoring’ division consists of following operational centralized activities as: the monitoring of some Compliance rules, the central reporting, the ‘2nd line customer screening’ activities. The Head of the team reports directly to the Head of Compliance .

The ‘ORM Advisory’ division consists of some specialized activities : Capital & Governance, NFR Data Management, NFR Assest Functional Mgt & Support, Advisory/Challenging & Testing, Business Continuity Management, Anti Fraud Officer, Sox Testing, Physical Security (functional reporting line). The Head of each team reports directly to the Head of ORM. The team ‘Special Investigations’ is an expert centre whose Head also directly reports to the Head of ORM

The ‘Information Risk Management’ division ensures that the data of ING is secured against ‘cyber crime’ and that the correct management is in place. The Head reports directly to the CRO

In order to ensure the coherence between the several divisions and in order to profit from potential synergy in terms of management, the Head of Compliance or the Head of ORM acts as “Primus inter pares”. Currently, it is the responsibility of the Head of ORM.

7.6.5.4.4 Functional organisation

The ING Belgium Operational & Compliance Risk Department has a number of functional reporting lines.

The Money Laundering Reporting Officer (MLRO) has a functional reporting line to the MLRO of the group (Bank).

The Head of Compliance has a functional reporting line to the Compliance Officer of the group (bank) and to the CEO of ING Belgium.

The Head of ORM has a functional reporting line to the ORM Officer of the group (bank) and is also regional ORM Officer for all business units of ING BeLux.

The Head of Business Continuity Management (BCM) has a functional reporting line to the Security Officers of the group (bank).

The Head of the ‘Special Investigations’ team has a functional reporting line to ‘Corporate Security’ division within the Corporate ORM department (group).

The Anti-Fraud Officer has a functional reporting line to 'Corporate Security' division within the Corporate ORM department (group).

The Head of Information Risk Management (IRM) has a functional reporting line to the Information Security Officer of the group (group).

7.6.6 Capital management

7.6.6.1 Objectives

The Capital Management department of ING Bank, the ultimate parent company of ING Belgium SA, is responsible for the sufficient capitalisation of ING bank entities at all times in order to manage the risk associated with ING's business activities. This involves the management, planning and allocation of capital within ING Bank.

The entity Corporate Treasury is part of Capital Management. It executes the necessary capital market transactions, term (capital) funding and risk management transactions.

Capital Management takes into account the metrics and requirements of regulators (Ratio 'Tier -1, ratio of the Insurance Group Directive (IGD), limits for hybrid capital and rating agencies (leverage ratios, Adjusted Equity) and internal risk management models such as the economic capital.

ING applies the following main capital definitions:

Equity 'Core Tier-1', equity 'Tier-1 and the total BIS capital for the bank – Equity 'Tier-1' are defined as shareholders equity plus core Tier 1 securities, hybrid capital and diminish with prudential filters and deducted elements. 'Tier-1' and BIS capital divided by risk weighted equal the Tier-1 and BIS ratio respectively. Core Tier-1 capital is equal to Tier-1 capital excluding hybrid capital.

7.6.6.2 Policies

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. The main documents that serve as guidelines for capital planning are the Capital Plan (comprising the approved targets and limits for capital), the Capital Planning Policy, the Dividend Policy and the Local Capital Management Policy.

The above-mentioned capital definitions and policies have been approved by the ING Bank Executive Board or delegated authorities.

7.6.6.3 Processes for managing capital

In addition to measuring capital adequacy, Capital Management also ensures that sufficient capital is available by setting targets and limits relevant to the above-mentioned metrics for ING Bank and by ensuring adherence to the set limits and targets through planning and executing capital management transactions. This process is supplemented by stress testing and scenario analysis. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process and results in a quarterly capital update report. The main objective of the assessment is to ensure that ING Bank as a whole has sufficient capital relative to its risk profile for both the short and medium term. More of this, All operating entities need to stay adequately capitalised based on local regulatory and rating agency requirements, and interdependencies should be reduced to a minimum. The entities should also be able to access capital markets independently.

7.6.6.4 Capital adequacy assessment

During 2013, the entities of ING Belgium were adequately capitalised in relation to their risk profile and strategic objectives.

7.6.6.5 Capital adequacy requirements

Capital is required to support credit, market and operational risks. Market risk arises from all foreign exchange positions and all positions held for trading in interest rate instruments and equities, including risks on individual equities and traded debt obligations, such as bonds. ING Belgium calculates this risk by using a Value at Risk (VaR) model approved by the NBB, from which the market risk capital requirement is derived.

The adequacy of ING Belgium's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ('BIS rules/ratios'). The BIS ratios compare the amount of eligible capital (in total and Tier 1) with the total of risk-weighted assets (RWAs).

Capital adequacy and the use of regulatory required capital are based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and European Community Directives as implemented by the NBB. The minimum Tier 1 ratio is 4% and the minimum total capital ratio (known as the 'BIS ratio') is 8% of all risk-weighted assets, including off-balance sheet items and market risk associated with trading portfolios. The European Banking Authority (EBA) has set a temporary Core Tier 1 requirement of 9% of RWAs for European banks; this requirement was met by ING Bank. (At the moment, this requirement is only applicable at consolidated level.)

Solvency Ratios

In EUR millions	2013 Basel II	2012 Basel II
Original Own Funds (Tier 1)	9.864,1	10.632,1
Additional Own Funds (Tier 2)	315,6	356,6
(Items to be deducted from Tier 1 and Tier 2)	-284,3	-315,5
Total Eligible Capital (Tier 1 and Tier 2)	**9.895,4**	**10.673,2**
Risk Weighted Assets:		
Credit Risk	40.425,1	38.745,0
Settlement Risk		-
Market Risk	1.410,0	1.982,5
Operational Risk	5.606,3	5.728,2
Total Risk Weighted Asset	**47.441,4**	**46.455,7**
Capital Requirements:		
Credit Risk	3.234,0	3.099,6
Settlement Risk		-
Market Risk	112,8	158,6
Operational Risk	448,5	458,3
Total Capital Requirements	**3.795,3**	**3.716,5**
Solvency Ratios:		
Tier 1 Basel II	20,49%	22,55%
Total Capital Basel II	20,86%	22,98%
After 2007: Tier 1 Basel II with floor impact / Until 2007: Basel I	13,72%	14,23%
After 2007: Total Capital Basel II with floor impact / Until 2007: Basel I	14,14%	14,69%

Solvency Ratios

In EUR millions	2013	2012
Total Eligible Capital	9.895,4	10.673,2
Total capital requirements	3.795,3	3.716,5
Surplus (+) / Deficit (-) of own funds	**6.100,1**	**6.956,7**
Total Eligible Capital	9.895,4	10.673,2
Solvency ratio	20,86%	22,98%

7.7.6.6 Basel II (Pillar 3 Disclosure)

As of January 2008, ING Belgium SA/NV has been calculating its capital ratios under Basel II. Since ING Belgium is a major subsidiary of ING Bank, limited Pillar 3 disclosure is required (Market Discipline) by the local regulatory supervisor, whereas Pillar 3 is being implemented in full at the group level.

Pillar 3 is a complement to Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process) by allowing market participants to assess the capital adequacy of a bank by using key pieces of information.

7.6.6.6.1 Capital structure

Capital requirements - components of own funds		
In EUR millions	2013	2012
Original Own Funds (Tier 1)	**9.864,1**	**10.632,1**
Share capital	2.911,6	2.917,9
Reserves and retained earnings	7.076,6	7.829,1
(-) Other deductions from Original Own Funds (intangible assets)	-124,1	-114,9
Additional Own Funds (Tier 2)	**315,6**	**356,6**
(-) Deductions from original and additions Own Funds	-284,3	-315,5
Total original Own Funds for general solvency purposes	**9.895,4**	**10.673,2**

7.6.6.6.2 Capital adequacy

7.6.6.6.2.1 Credit and transfer risk

Economic Capital for credit risk is the amount of capital that ING believes it needs to hold to withstand unexpected losses inherent in the credit portfolios related to (unexpected) changes in the underlying creditworthiness of debtors or the recovery value of underlying collateral (if any). Credit risk capital is calculated on all portfolios which contain credit or counterparty risk, including investment portfolios.

Economic Capital for credit risk is calculated using internally developed models with a 99.95% confidence level and a time horizon of one year, which represents ING's desired credit rating.

ING uses a series of credit risk models which can be grouped into three principal categories: Probability of Default (PD) models, which measure the creditworthiness of individual debtors; Exposure at Default (EAD) models, which estimate the size of the financial obligation at the moment of default in the future; and Loss Given Default (LGD) models, which estimate the recovery value of the underlying collateral or guarantees received (if any) and the unsecured part. The various models can be grouped into three categories: statistical, expert and hybrid. Each model is individually reviewed and validated annually by the Model Validation (MV) department in order to determine the continued viability or need to adjust each individual model.

The underlying models that are used for determining Economic Capital for credit risk are the same as those used for determining the level of regulatory capital as required under Basel II (Pillar 1). Despite the fact that the same underlying models are used, (internal) Economic Capital and regulatory capital are not the same due to various specific rules imposed by Basel II. The methodology has been updated to take into account the changes that will be implemented in 2014 in the regulatory framework. For Economic Capital IN 2014, the following amendments are made to the Basel II framework:

- Non-floored economic PD are used.

  the confidence level is set to 99.95% (fitting ING's target rating of AA) rather than 99.9%.
- for performing loans, the scaling factor of 1.06 is removed from the Basel II equation.
- for maturities lower than 1 year, the effective PD (and not the 1 year PD) is used; however the 1 year PD is used for lending exposures to non-investment grade customers (rated 11 or worse).
- capital is calculated for all sovereigns
- ING internal add-ons are used for Financial Markets Products.
- economic EAD is employed instead of regulatory EAD for all exposures except for FM products
- securitisations are treated using a PD/LGD approach.
- standardised portfolios are treated with the AIRB approach.
- different add-ons are applied to take future model changes, concentration risk and Incap model shortcomings into account.
- correlations scaled up taking into account current concentrations
- inclusion of CVA capital and credit risk related ONCOA

Roughly speaking, economic (ING internal) capital is the amount of capital that ING believes it needs to hold. Regulatory (Basel II) capital is the amount of capital an institution is required to hold by its regulator. The Basel II framework via Pillar 2 states that the minimum required capital of an institution is the greater of its regulatory capital and economic capital.

Transfer risk is the risk that debtors in a country are unable to ensure timely payments of foreign currency debt service due to transfer and/or convertibility restrictions or a general lack of foreign currency liquidity. Transfer risk capital is explicitly calculated as additional risk on top of credit risk capital.

During 2011, the Economic Capital levels for credit and transfer risk were calculated on a weekly basis for most of the Commercial Banking portfolios and for the SME portfolios within the Retail Banking operations. For consumer loans and residential mortgages, the calculations are made on a monthly basis. On a monthly basis, the Economic Capital for credit risk and transfer risk figures are consolidated with the corresponding Economic Capital components from other disciplines.

Governance of Economic Capital for Credit and Transfer Risk:

All PD, EAD and LGD models are approved by the Credit Risk Committee (CRC) after thorough review of documentation by the Model Development Steering Committee (MDSG) and the Model Validation department (MV). In addition, each model is validated on an annual basis by MV. Each model has both a credit risk and a front office co-sponsor. Both the MDSG and the CRC have participation from both credit risk officers as well as the front office to ensure maximum acceptance by the organisation.

7.6.6.6.2.2 Market risk

General:

Economic Capital for market risk is the economic capital necessary to withstand unexpected value movements due to changes in market variables, such as interest rates, equity prices, foreign exchange rates, real estate prices and volatility in these rates and prices. Economic Capital for market risk is calculated for exposures both in trading portfolios and non-trading portfolios.

Measurement:

Economic Capital for market risk is calculated using internally developed methodologies with a 99.95% confidence interval and a horizon of one year, which represent extreme events and ING's desired rating. The Economic Capital for market risk for non-trading portfolios is calculated for each risk type, while for trading portfolios it is calculated on a portfolio level. The calculations for Economic Capital market risk include foreign exchange rate risk, equity price risk, interest rate risk and real estate risk.

For the direct market risks, the actual VaR (measured at a 99% confidence interval and a one-day holding period) of the trading and non-trading portfolios is taken as a starting point for the Economic Capital calculations for market risk. To arrive at the Economic Capital for market risk, a simulation-based model is used which includes scaling to the required confidence interval and holding period. In determining this scaling factor, several other factors are also taken into account such as the occurrence of large market movements (events) and management interventions.

Economic Capital for market risk for the large non-trading portfolios is calculated for embedded option risk (e.g. the prepayment option in mortgages).

The model risk is calculated by stressing the underlying assumptions in the models for behavioural assets and liabilities. For example, for the model applied to mortgage portfolios, the quality of the hedge depends on assumptions with respect to prepayment behaviour. If these assumptions are wrong, the funding may be either too long or too short-term. Similar to the above, the Economic Capital for model risk is based on the estimated 99% confidence prepayment model error and the 99% confidence adverse interest rate change. The prepayment model risk for mortgage loans and the model risk for on-demand client deposits are included in the Business Risk category.

Buildings owned by ING that are not managed by ING Real Estate are referred to as 'Property In Own Use'. Economic Capital for Property in Own Use is included in the Economic Capital for market risk.

While aggregating the different Economic Capital market risk figures for the different portfolios, diversification benefits are taken into account, as it is not expected that all extreme market movements will appear at the same moment.

The nature of market risk Economic Capital, which evaluates the impact of extreme stress with a 99.95% confidence level, can sometimes be difficult to evidence in a statistically sound manner with the available historical data. The Economic Capital figures disclosed by ING Belgium are a best-effort estimate based on available data and expert opinions.

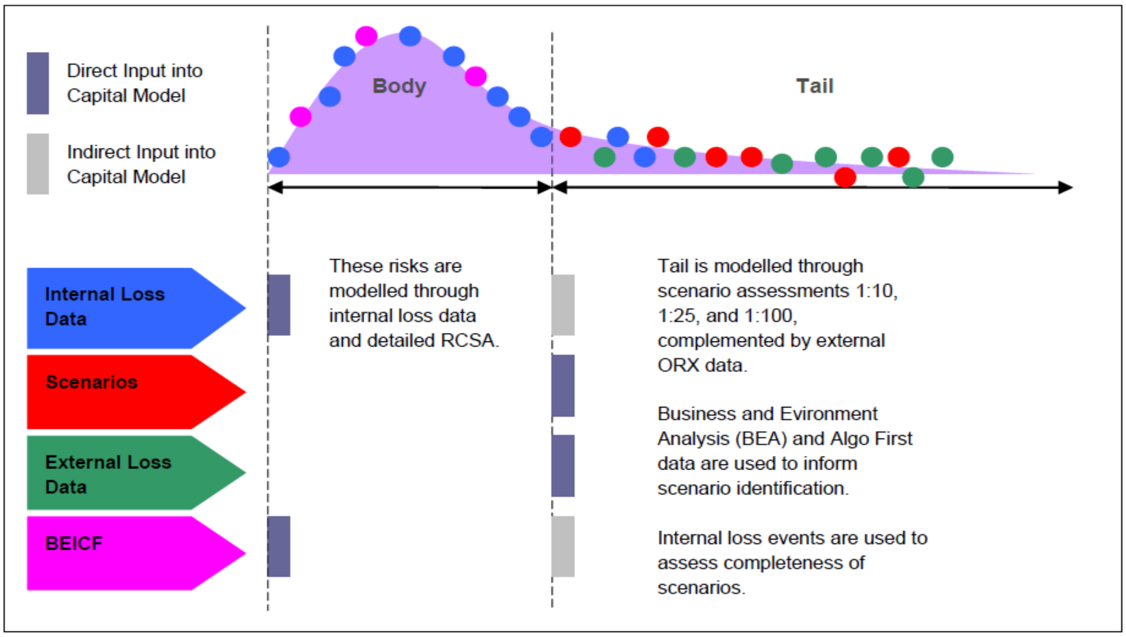
7.6.6.6.2.3 *Operational risk*

While operational risk can be limited through management controls and insurance, many incidents still have a substantial impact on the profit and loss account of financial institutions. As for the other risk domains, regulatory and economic capital for operational risk is calculated and maintained.

ING has chosen for the "Advanced Measurement Approach (AMA)" for the calculation of the regulatory and economic capital, called the AMA 2.0 model.

The goal of the modelling is to estimate appropriate risk parameters for a Unit of Measurement (UoM). A risk refers to a set of frequency and severity distributions. When modelling a risk, a distinction is made between body risk and tail risk. The point of the split between body and tail is denoted as tail threshold. Body risk describes the high frequency - low severity events. In contrast, the tail risk describes the low frequency - high severity events.

Lack of sufficient internal loss events makes the use of Internal Loss Data (ILD) for tail severity modelling difficult. Therefore, other sources of data more appropriate for tail are used. External data (ELD/ORX) and scenarios (SA) are two available alternatives. In the modelling approach both data sets will be used as complementary inputs. The picture below depict the risk segmentation in body and tail, and show how different data inputs are used either as direct or indirect input.



Total capital requirements for credit, counterparty credit and dilution risks and free deliveries		
In EUR millions	**2013**	**2012**
Standardised approach (SA)	65,6	73,6
SA exposure classes excluding securitization positions	65,6	73,6
Institutions		18,3
Corporate	50,0	41,6
Retail	15,6	13,7
Internat Rating Based approaches when own estimates of Loss Given Default and/or Conversion Factors are used	2.756,2	2.738,8
Central governments and central banks	73,1	26,4
Institutions	429,5	347,9
Corporate	1.563,9	1.687,4
Retail	689,7	677,1
Equity Internal Rating Based	18,9	20,1
Securitizations positions Internal Rating Based	22,0	26,0
Other non credit-obligation assets	245,0	241,1
Other own fund requirement	126,3	0,0
Total capital for:		
Credit risk	3.234,0	3.099,6
Settlement/delivery risk		-
Position, foreign exchange and commodity risks	112,8	158,6
Operational risk	448,5	458,3
Total capital requirements	**3.795,3**	**3.716,5**

7.6.6.7 Expected impact of Basel III

The new Basel III rules are aimed at strengthening the capital framework and introduces a global liquidity standard. This is mainly done through raising the quality of the capital base, introducing the leverage ratio and new liquidity standards.

1. Eligible Capital

The changes to Eligible Capital focus on reinforcing the quality of capital through the use of Common Equity Tier 1 (CET1).

The level of minimum capital is also increased to account for the:

- capital Conservation buffer (+2.5% of capital) which requires banks to build up capital outside of stress periods, which can be drawn as losses are incurred;
- countercyclical Buffer (+0% to 2.5%) which takes account of the macro-financial environment in which ING Belgium operates.

ING Belgium’s current capital levels are sufficient to withstand the increased levels of capital requirements.

2. Credit Risk

Basel III does not change the main Basel II principles for calculating Risk Weighted Assets (RWA). As a consequence for most assets the credit risk calculation would not be impacted.

Several changes will however affect the calculation of counterparty credit risk:

- the increase of the correlation factor for exposures to most financial institutions will result in a higher capital charge;
- along with the introduction of Credit Valuation Adjustment (CVA) capital charge, the bank is developing an internal model (IMM) for measuring the counterparty credit risk. This model will be based on a more advanced measurement of future exposure and include new Basel III requirements a.o. regarding large netting sets, illiquid collateral, stressed calibration and wrong way risk. This will make the measurement of exposure more risk sensitive and will impact the capital calculation. The precise impact will vary per counterparty;
- The risk weighting for exposures to central counterparties will be set at 2%. Central counterparties are however only accessible to a limited number of counterparties. As a consequence the expected impact of that measure is limited.

Higher capital requirement per unit of risk under Basel III, as well as other changes in the area of liquidity or leverage, will not have a direct impact on credit risk, but may result in changes in the balance sheet of the bank, which could, in turn, impact the total RWA.

3. Market Risk

The changes to RWA were most evident during the implementation of Basel 2.5 (CRD III) as of December 2011. Details of the changes for ING Belgium are as follows:

- include all relevant pricing factors in VaR model;
- move securitizations from internal model to standard (banking) model;
- include Stressed VaR;
- include default and migration risk (Incremental Risk Charge – IRC).

ING Belgium has completely implemented these changes to the figures presented in its annual report.

4. Leverage Ratio

The leverage ratio provides a non-risk based measure of ING Belgium’s capital adequacy, based on the revised capital definitions mentioned above. It focuses on two main objectives:

- constrain the build-up of leverage in the banking sector, helping avoid destabilizing deleveraging processes which can damage the broader financial system and the economy;
- reinforce the risk based requirements with a simple, non-risk based “backstop” measure.

The reporting of the Leverage ratio will also start in 2014 and will become mandatory as of 2018, thereby enabling banks and the regulators to monitor the impact of the minimum 3% requirement [Capital / (Assets + Off balance sheet)] currently imposed.

5. Liquidity Risk Reporting

The revised liquidity reporting framework aims at ensuring that banks implement sound liquidity risk management principles in order to reduce the likelihood of central bank intervention in the event of severe stressed market conditions as experienced in the recent crisis. It is focused on 2 minimum standards for funding liquidity:

- Liquidity Coverage Ratio (LCR)

The LCR aims at promoting short term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. As compared to current liquidity reporting standards to which ING Belgium is subject, the LCR:

- reinforces the criteria for eligibility of assets as "high quality liquid assets";
- takes into account the going concern aspect in the run-off for client loans, i.e. that ING Belgium will continue to extend loans to non Financial clients, at a rate of 50%;
- reflects the stability of the client deposits through a wider range of run-off assumptions (5% to 100%), influenced by the client type (retail, SME, corporates, etc) and the existence of deposit protection schemes.

As the LCR standard will be mandatory as of January 2015, (with an observation period as of 2013) the report is already being prepared by ING Belgium with the aim of integrating the concepts in the internal Liquidity Risk management framework.

- Net Stable Funding Ratio (NSFR)

This ratio aims at promoting resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The Net Stable Funding Ratio (NSFR) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.

The NSFR will become mandatory as of January 2018, with an observation period beginning January 2015. Until then, the impact on the ratio is being monitored internally by ING Belgium.

7.7 *Notes to the Consolidated Accounts*

7.7.1 Notes to the consolidated Statement of Financial Position

7.7.1.1 Assets

Note 1: Cash and balances with central banks

Cash and balances with central banks		
In EUR thousands	**2013**	**2012**
Cash and cash balances with central banks other than mandatory reserve deposits	1.195.556	1.063.818
Mandatory reserve deposits with central banks	452.736	428.414
Total	**1.650.305**	**1.492.232**

Note 2: Financial assets held for trading

Financial assets held for trading			
In EUR thousands	**2013**	**2012 Dirty price**	**2012 Clean price**
Derivative instruments	16.954.469	37.314.459	34.571.998
Equity securities	1.209.854	1.750.282	1.750.282
Debt securities	217.613	443.432	436.420
Loans & advances	37.461	338.075	338.083
Accrued income	0	0	2.749.465
Total	**18.419.397**	**39.846.248**	**39.846.248**

The Bank has reduced the height of its balance sheet of 18.9 bn at level of the trading portfolio. A decrease of 1.4 bn is also marked in accruals. These decreases were performed by less transactions with the Mother House, impacts related to fair value but also by the establishment of a direct market access process to reduce the height of the balance sheet. A decrease was also observed in hedging transactions due to an overestimation of the situation in 2012 (internal asymmetric operations not compensated for Eur 6.5 billion). These decreases are also visible at the level of liabilities.

Note 3: Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss		Dirty price	Clean price
In EUR thousands	**2013**	**2012 NEW**	**2012**
Equity securities	3.053	1.847	1.847
Debt securities	204.762	204.730	200.002
Loans and advances	65.334	71.431	70.664
Accrued interests	0	0	5495
Total	**273.149**	**278.008**	**278.008**

Note 4: Financial assets available for sale

Breakdown of financial assets available for sale		Dirty price	Clean price
In EUR thousands	**2013**	**2012**	**2012**
Equity securities	65.309	75.918	75.918
Debt securities	19.779.779	20.629.062	20.332.435
Accrued income	0	0	296.627
Total	**19.845.088**	**20.704.980**	**20.704.980**

In Q4 2013 a credit position of 282 mio eur in Orange bonds (former France Telecom) has been reclassified from investments available for sale to the loans and receivables portfolio.

In the past the instrument was classified as AFS debt security as it was expected an active market would arise soon after acquiring the instrument. This did not happen. The subsequent annual internal credit reviews confirmed that the market has been inactive ever since. As this instrument meets the definition of loans and receivables and is managed as a loan internally, the bank opted to reclassify this position into "loans and receivables".

Movements in financial assets available for sale						
In EUR thousands	Equity securities		Debt securities		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Opening balance	**75.918**	**68.419**	**20.629.062**	**21.153.442**	**20.704.980**	**21.221.861**
Additions	3.896	2.105	2.855.621	4.306.544	2.859.517	4.308.649
Changes in the composition of the group	0	-		-	0	-
Transfers of asset/liabilities	-73	218	-284.454	-	-284.527	218
Unrealised gains (losses) from changes in fair value	-966	13.104	-116.922	1.435.231	-117.888	1.448.335
Provision for impairment	-802	-2.703	990	-8.799	188	-11.502
Disposals - sales price	-27.894	-5.600	-3.320.375	-6.276.171	-3.348.269	-6.281.771
Realised profits (losses)	15.229	367	26.717	16.331	41.946	16.698
Exchange differences	0	-	-11.842	2.313	-11.842	2.313
Other changes	1	8	982	171	983	180
Closing balance	**65.309**	**75.918**	**19.779.779**	**20.629.062**	**19.845.088**	**20.704.981**

A credit position of 282 mio eur in Orange bonds (former France Telecom) has been reclassified from investments available for sale to the loans and receivables portfolio.

Sovereign Debt Exposure 2013			
In EUR thousands	**Balance sheet value**	**Pre-tax revaluation reserve**	**Impairment**
Greece			
Government bonds - available for sale	-	-	-
Government bonds - at amortised cost	-	-	-
Italy			
Government bonds - available for sale	420.331	-22.327	-
Government bonds - at amortised cost	-	-	-
Ireland			
Government bonds - available for sale	-	-	-
Government bonds - at amortised cost	-	-	-
Portugal			
Government bonds - available for sale	264.805	1.211	-
Government bonds - at amortised cost	-	-	-
Spain			
Government bonds - available for sale	310.668	122	-
Government bonds - at amortised cost	-	-	-
Total	**995.804**	**-20.994**	**0**

Fair value hierarchy government bonds		
In EUR thousands		**2013**
Greece		
Available for sale	**Total**	**0**
	Level 1	
	Level 2	
	Level 3	
Italy		
Available for sale	**Total**	**420.331**
	Level 1	142.831
	Level 2	277.500
	Level 3	
Ireland		
Available for sale	**Total**	**0**
	Level 1	
	Level 2	
	Level 3	
Portugal		
Available for sale	**Total**	**264.805**
	Level 1	264.805
	Level 2	
	Level 3	
Spain		
Available for sale	**Total**	**310.668**
	Level 1	310.668
	Level 2	
	Level 3	

Note 5: Loans and receivables

Loans and receivables			
In EUR thousands	**2013**	**2012 NEW**	**2012 OLD**
Central governments	69.626	29.361	27.928
Credit institutions	10.673.772	10.976.114	10.921.856
Non-credit institutions	9.314.960	10.857.148	10.831.345
Corporate	39.770.867	40.184.676	40.106.857
Retail	36.779.667	35.686.697	35.554.600
Accruals		0	291.410
Total	**96.608.892**	**97.733.996**	**97.733.996**

Note 6: Derivatives used for hedging

Derivatives used for hedging		Dirty price	Clean price
In EUR thousands	2013	2012	2012
Fair value hedge			
IRS	107.351	13.646	7.918
Cross currency swaps			
Other	98.621	48.109	48.109
Accruals	0	-	5.728
Nominal amount			
Cash flow hedge			
IRS	3.663.898	5.246.956	4.393.476
Cross currency swaps			
Other			
Accruals	0	-	853.479
Nominal amount			
Total	**3.771.249**	**5.308.711**	**5.308.710**

Under the ‘Other’ rubric you find the caps/floors in relation with mortgage loans

Note 7: Property, plant and equipment

Movements during 2013					
In EUR thousands	Owner-occupied land and buildings	IT equipment	Office equipment	Other equipment (including cars)	Total
Opening balance	**778.119**	**88.879**	**26.945**	**90.553**	**984.496**
Additions	54.672	20.902	7.561	9.645	92.780
Disposals	-23.271	-1.369	-405	-1.798	-26.843
Acquisitions through business combinations					0
Increases from revaluations	10.332				10.332
Impairment losses directly recognised or reversed in equity					0
Depreciation	-30.449	-32.976	-7.011	-13.199	-83.635
Impairment losses recognised in the income statement	-88				-88
Impairment losses reversed in the income statement	301				301
Foreign currency conversion effects		-1	-2	-16	-19
Transfers from (to) investment property					0
Other changes	1	12	-96		-83
Closing balance	**789.617**	**75.447**	**26.992**	**85.185**	**977.241**
Accumulated depreciation	734.584	196.682	127.998	244.087	1.303.351
Carrying amount under the cost model	445.109				445.109

Movements during 2012					
In EUR thousands	Owner-occupied land and buildings	IT equipment	Office equipment	Other equipment (including cars)	Total
Opening balance	**808.211**	**71.944**	**28.127**	**98.892**	**1.007.174**
Additions	49.213	45.573	7.176	7.120	109.082
Disposals	-23.420	-1.056	-641	-1.646	-26.763
Acquisitions through business combinations					0
Increases from revaluations	-21.715				-21.715
Impairment losses directly recognised or reversed in equity					0
Depreciation	-30.161	-27.663	-7.722	-13.818	-79.364
Impairment losses recognised in the income statement	-4.785				-4.785
Impairment losses reversed in the income statement	776				776
Foreign currency conversion effects		11	1	10	22
Transfers from (to) investment property					0
Other changes	0	70	4	-5	69
Closing balance	**778.119**	**88.879**	**26.945**	**90.553**	**984.496**
Accumulated depreciation	-726.106	-165.344	-123.251	-118.965	-1.133.666
Carrying amount under the cost model	428.896				428.896

Changes in the revaluation reserve		
in EUR thousands	**2013**	**2012**
Opening balance	**161.300**	**179.981**
Changes in the revaluation reserve during the year	-1.881	-18.681
Closing balance	**159.419**	**161.300**

Breakdown of property and equipment by useful lives	
In years	**2013**
Owner-occupied land and buildings	33
IT equipment	5
Office equipment	10
Cars	4
Other equipment	7

Financial lease				
	< 1 year	**> 1 year ≤ 5 years**	**> 5 years**	**Total**
Minimal future lease payments	3.308	7.485	-	10.793
Net present value of minimal future lease payments	2470	2.981	-	5.451
Net book value	**5.696**			

ING Belgium has financial leases for equipments and fittings. These leases have no purchase options; however, there is an exchange option. Indeed, ING Belgium is able to require the replacement of leased equipments with new ones for a predefined amount and at a predetermined date. ING Belgium does not sub-let any of the leased assets.

Note 8: Investment property

Investment property		
In EUR thousands	**2013**	**2012**
Opening balance	**11.821**	**9.700**
Acquisitions	3.155	3.913
Acquisitions through business combinations		-
Subsequent expenditures		-
Disposals	-2.718	-2.053
Net gains (losses) from fair value adjustments	1	261
Foreign currency conversion effects		-
Other changes		-
Closing balance	**12.259**	**11.821**

Note 9: Goodwill and other intangible assets

Movements during 2013

In EUR thousands	Goodwill	Internally-developed software	Acquired software	Other intangible assets	Total
Opening balance	**2.559**	**85.251**	**29.672**	**-**	**117.482**
Additions from internal development		35.055			35.055
Additions from separate acquisitions			8.487		8.487
Adjustments from business combinations					-
Withdrawals & disposals		2			2
Adjustments resulting from subsequent recognition of deferred tax assets					-
Amortisation recognised		-15.258	-7.435		-22.693
Impairment recognised in the income statement		-6.502			-6.502
Impairment reversed in the income statement					-
Foreign currency conversion effects					-
Other movements	-1	2.209	-7.359		-5.151
Closing balance	**2.558**	**100.757**	**23.365**	**-**	**126.680**
Accumulated depreciation		-118.728	-39.452		-158.180
Accumulated impairment	-44.534	-10.234			-54.768
Gross carrying amount	47.093	229.719	62.817		339.628

Movements during 2012

In EUR thousands	**Goodwill**	**Internally-developed software**	**Acquired software**	**Other intangible assets**	**Total**
Opening balance	**2,559**	**59,591**	**12,250**	**-**	**74,400**
Additions from internal development	-	39,063	-	-	39,063
Additions from separate acquisitions	-	-	22,834	-	22,834
Adjustments from business combinations	-	-	-	-	-
Withdrawals & disposals	-	-	-	-	-
Adjustments resulting from subsequent recognition of deferred tax assets	-	-	-	-	-
Amortisation recognised	-	-10,683	-5,442	-	-16,125
Impairment recognised in the income statement	-	-2,287*	-	-	-2,287
Impairment reversed in the income statement	-	-	-	-	-
Foreign currency conversion effects	-	-	-	-	-
Other movements	-	-433	30	-	-403
Closing balance	**2,559**	**85,251**	**29,672**	**-**	**117,482**
Accumulated depreciation	-	-100,746	-35,511	-	-136,257
Accumulated impairment	-44,534	-	-3,432	-	-47,966
Gross carrying amount	47,093	189,429	65,179	-	301,701

Note 10: Deferred tax assets

Breakdown of deferred tax assets by origin			
In EUR thousands	**2013**	**2012**	**2011**
Investments	-126.278	55.296	232.213
Financial assets and liabilities at fair value through profit or loss	-4.481	25.958	178.281
Depreciation	458	1.619	1.732
Other provisions	103.730	47.320	65.766
Unused tax losses carried forward	1.003	1.377	1.668
Cash flow hedges	181.467		187.492
Property and equipment	-78.103	16.229	35.166
Other	91.760	84.173	209.393
Total	**169.556**	**231.972**	**911.711**

Net deferred tax assets (liabilities)						
In EUR thousands	Opening 31/12/2012	Exchange differences	Deferred tax P&L	Deferred tax equity	Netting deferred taxes	Closing 31/12/2013
Gross deferred tax assets	231.972		-111.869	111.545	-62.093	169.555
Write-downs - deferred tax assets	0					0
Deferred tax liabilities	-400.348		106.991	21.547	55.889	-215.921
Net deferred tax assets (liabilities)	**-168.376**	**0**	**-4.878**	**133.092**	**-6.204**	**-46.366**

Income tax: breakdown of tax losses carried forward/unused tax credits by expiry terms - 2013					
In EUR thousands	Total	Up to five years	Five to ten years	Ten to twenty years	Not expiring
Total of unused tax losses carried forward	63.054	24.131	4.711		34.212
of which:					
Unused tax losses carried forward not recognised as a deferred tax asset	*60.102*	*24.131*	*4.711*		*31.260*
Unused tax losses carried forward recognised as a deferred tax asset	*2.952*				
Tax rate applicable	*33,99%*				
Deferred tax asset recognised on unused tax losses carried forward	1.003				

Income tax: breakdown of tax losses carried forward/unused tax credits by expiry terms - 2012					
In EUR thousands	Total	Up to five years	Five to ten years	Ten to twenty years	Not expiring
Total of unused tax losses carried forward	68.279				68.279
of which:					
Unused tax losses carried forward not recognised as a deferred tax asset	*64.227*				*64.227*
Unused tax losses carried forward recognised as a deferred tax asset	*4.052*				*4.052*
Tax rate applicable*	*33,99%*				
Deferred tax asset recognised on unused tax losses carried forward*	1.377				

* Since there are no longer deferred tax assets recognised on unused tax losses, this is not applicable

Income tax relating to components of other comprehensive income - 2013

In EUR thousands	Tax assets	Tax liabilities	Total
Currency translation reserve			**0**
Hedge of net investments in foreign operations reserve			**0**
Tangible fixed assets revaluation reserve		-80.198	**-80.198**
Revaluation reserve available for sale	14.093	-181.250	**-167.157**
Cash flow hedges	181.467		**181.467**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method			**0**
Other			**0**
Total	**195.560**	**-261.448**	**-65.888**

Income tax relating to components of other comprehensive income - 2012

In EUR thousands	Tax assets	Tax liabilities	Total
Currency translation reserve	-	-	**-**
Hedge of net investments in foreign operations reserve	-	-	**-**
Tangible fixed assets revaluation reserve	-	-80,792	**-80,792**
Revaluation reserve available for sale	1,206	-229,061	**-227,855**
Cash flow hedges	-	136,441	**136,441**
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	-	-	**-**
Other	-	-	**-**
Total	**1,206**	**-173,412**	**-172,206**

Note 11: Investments in associates, subsidiaries and joint ventures

Figures from the financial statements of the entities

* Assets are not equal to liabilities because equity is not included

Associates not consolidated - 2013							
In EUR thousands					Entitie's Financial Statements		
Name	Registered office	Activity	Company code	Proportion of ownership	Assets*	Liabilities*	Net income
A.E.D. RENT	Willebroek	Audiovision	451899343	24,80%	43.163	26.040	1.392
Ark Angels Activator Fund	Hasselt	Private equity fund	843728962	25,19%	3347	5	-364
AXISQL	Willebroek	Holding de reprise	848687939	45,00%	-	-	-
BIENCA Biotechnological Enzymatic Catalyse sa	Seneffe	Biotechnologie	446755472	20,08%	1161	604	-384
BNL Food Investments	Luxembourg	Technologie	880578965	23,73%	16708	12882	-2588
Brand & Licence Company	Brussels	Financing	884499250	20,00%	6144	1640	1976
CMOSIS	Antwerpen	Telecommunication	893557169	23,26%	10466	5531	1628
Euresys (Walltech SA)	Angleur	Manufacture	437408137	22,81%	4191	859	-342
Europay Belgium	Brussels	Services financiers	434197536	20,39%	1837	547	102
GDW Holding	Waregem	Société à portefeuille	824392409	38,37%	36455	12921	140
Innotec International	Houthulst	Commerce	462030992	37,08%	-	-	-
M Brussels Village	Brussels	Services & conseils	473370886	24,59%	326	189	1
SAS Marnix Invest	Paris	Research & investing information	FR4902462460002	41,40%	41580	20068	1928
SAS SODIR-Deux	Paris	Holding de reprise	FR5231287590001	40,69%	36900	19305	2546
Sherpa Invest	Brussels	Société à portefeuille	878752692	20,00%	1308	657	-47
Sherpa Invest II	Brussels	Société à portefeuille	878752692	24,90%	1137	23	-88
Unibioscreen SA	Brussels	Biologie	466013437	25,53%	254	548	-69
Vesalius Biocapital Partners SARL	Luxembourg	Services financiers		20,00%	3275	2963	74
Vesalius Biocapital II Partners SARL	Luxembourg	Services financiers		20,00%	2273	2184	30
Vesalius Biocapital II SA SICAR	Luxembourg	Investment in securities of life sciences & nutrition		12,67%	16752	682	-2160

* Assets are not equal to liabilities because equity is not included

Associates not consolidated - 2012

In EUR thousands

Name	Registered office	Activity	Company code	Accumulated equity interest (%)	Assets*	Liabilities*	Net income
A.E.D. RENT	Willebroek	Services	BE 0451.899.343	23.69%	40,215	24,670	1,140
BIENCA (Biotechnological Enzymatic Catalyse) sa	Seneffe	Pharmacy	BE 0446.755.472	20.80%	947	754	-339
BNL Food Investments	Luxemburg	Industry	-	27.26%	18,689	18,528	-2,626
Brand & Licence Company	Brussels	Services	BE 0884.499.250	20.00%	2,644	115	-157
CMOSIS	Antwerp	Technology	BE 0893.557.169	23.26%	7,117	3,810	288
Elysées GNI Finance	Landon(Fr)	Finance	50501533900029	46.55%	9,984	11,007	-2,322
Europay Belgium	Brussels	Finance	BE 0434.197.536	20.36%	2,787	1,599	275
INAXI	Willebroek	Services	BE 0894.141.743	38.81%	11,820	4,427	1,527
GDW Holding	Waregem	Automobile	BE 0824.392.409	36.61%	36,462	13,069	937
M-Brussels Village	Brussels	Real Estate	BE 0473.370.886	24.59%	400	263	3
SAS Marnix Invest	Paris	Finance	-	36.13%	41,580	23,742	1,876
SAS SODIR-Deux	Paris	Finance	-	40.69%	41,282	23,719	1,999
Sherpa Invest	Brussels	Finance	BE 0878.752.692	20.00%	1,308	657	-47
Sherpa Invest II	Brussels	Finance	BE 0835.148.719	26.67%	1,137	24	-88
Unibioscreen SA	Brussels	Pharmacy	BE 0466.013.437	24.46%	369	594	-117
Vesalius Biocapital I SA SICAR	Luxemburg	Finance	LU 0894.571.018	29.50%	36,224	144	-459
Vesalius Biocapital Partners SARL	Luxemburg	Finance	LU 0894.571.315	20.00%	3,395	3,156	75
Vesalius Biocapital II SA SICAR	Luxemburg	Finance		2.50%	12,471	34	-1,575
Vesalius Biocapital II Partners SARL	Luxemburg	Finance		20.00%	854	795	39
Euresys (Walltech SA)	Angleur	Technology	BE 0465.945.339	22.81%	4,744	1,059	-761
Ark Angels Activator Fund	Hasselt	Finance	BE 0843 728 962	33.37%	-	-	-
AXISQL	Willebroek	Services	BE 0848.687.939	45.00%	-	-	-

* Assets are not equal to liabilities because equity is not included.

Subsidiaries not fully consolidated 2013 4F

In EUR thousands

Name	Registered office	Activity	Company code	Accumulated equity interest (%)	Assets*	Liabilities*	Net income
Immomanda	Brussels	Services financiers autres	417331315	100,00%	748	605	364
Aigle Aviation	Luxembourg	Financing		75,00%	60.547	57.862	-9
ING Activator	Brussels	Private equity fund	878533255	50,04%	597.338	576.171	2.980

* Assets are not equal to liabilities because equity is not included

Subsidiaries not fully consolidated 2012

In EUR thousands

Name	Registered office	Activity	Company code	Accumulated equity interest (%)	Assets*	Liabilities*	Net income
Aigle Aviation	Luxemburg	Leasing	-	75.00%	69,698	66,883	17
Immomanda SA	Brussels	Services	BE 0417.331.315	100.00%	737	611	383
ING Activator Fund	Brussels	Finance	BE 0878.533.255	52.28%	3,542	123	-450

* Assets are not equal to liabilities because equity is not included.

Movements in not consolidated investments					
In Eur thousands	**2013**	**2012**	**2011**	**2010**	**2009**
Opening Balance	**60.137**	**53.735**	**45.447**	**61.167**	**49.149**
Additions	8.456	6.657	16.017	13.669	7.276
Changes in the composition of the group	-	-	-5313	-	-
Transfer	-457	-425	-395	-11.527	1.196
Gains/(losses) from change in fair value	12.832	3.038	6.389	-9.335	7.282
Provision for impairment	-318	-918	-6.562	-3.112	-2.444
Disposals –sales price	-6.018	-3.990	-9.650	-24.090	-1.734
Realised gains and loss through the income statement	5.957	2.079	7.767	18.491	5
Exchange differences	-87	-39	67	143	-58
Other changes		-	-32	41	495
Closing balance	**80.502**	**60.137**	**53.735**	**45.447**	**61.167**

Note 12: Other assets

Other assets		
In EUR thousands	**2013**	**2012**
Employee benefits	202	48.414
Servicing assets for servicing rights	-	-
Prepaid charges	126.573	128.785
Accrued income (other than interest income from financial assets)	64.553	60.859
Precious metals, goods and commodities	-	-
Other advances	660	665
Others	1.197.733	917.426
Total	**1.389.721**	**1.156.149**

Note 13: Activities held for sale

ING Belgium has no held for sale activities (cf IFRS) however several activities will be transferred to the ING Bank NV België.

As part of the agreement, ING Belgium NV makes the transfer in September 2013 to ING Bank NV Belgian of his trading activities in relation with Inflation derivatives. The following migrations, in 2014, contains the last part of Non Vanilla activities (EXO) and structured interest rate products.

7.7.1.2 Liabilities

Note 14: Financial liabilities held for trading

Financial liabilities held for trading		Dirty price	Clean price				
In EUR thousands	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
Derivatives	17.043.611	38.065.280	35.433.614	33.726.253	25.934.988	22.510.033	32.400.431
Short positions in fixed-income securities	656	410.809	405.394	786.032	329.748	447.054	1.068.904
Short positions in equity instruments	92.125	3.135	3.135	2.419	-		
Accruals			2.637.081	3.112.669	4.682.140	4.953.444	5.425.859
Total	**17.136.392**	**38.479.224**	**38.479.224**	**37.627.373**	**30.946.876**	**27.910.531**	**38.895.194**

Note 15: Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or l	Dirty price	Clean price			
	Carrying amount			Difference between the carrying amount and the amount contractually payable at maturity	
In EUR thousands	**2013**	**2012**	**2012**	**2013**	**2012**
Term deposits	199.978	200.079	200.002	-78	2
Certificates of deposit	10.912	31.663	29.668	132	430
Non-convertible bonds – structured notes	2.790.109	3.001.883	2.999.631	115419	128.880
Subordinated liabilities	42.757	77.045	75.169	793	2.170
Accruals			6.200		-
Total	**3.043.756**	**3.310.670**	**3.310.670**	**116.266**	**131.482**

Note 16: Financial liabilities measured at amortised cost

2013							
In EUR thousands	**Central banks**	**Central governments**	**Credit institutions**	**Non-credit institutions**	**Corporate**	**Retail**	**Total**
Current accounts/overnight deposits	-	328.563	5.753.392	6.773.099	15.120.757	10.280.364	38.256.175
Deposits with agreed maturity	-	165.354	1.651.060	4.082.744	4.559.128	2.117.461	12.575.747
Deposits redeemable at notice	-	-	9.616	-	342	7.869	17.827
Other deposits	-	45.595	2.509.357	917.746	4.373.611	39.065.178	46.911.487
Debt certificates including bonds	-	-	-	-	2.022.321	5.418.563	7.440.884
Subordinated liabilities	-	-	204.342	-	-	-	204.342
Other financial liabilities	-	-	4.585	-	-	-	4.585
Accrued interests	-	-	-	-	-	-	0
Total	-	**539.512**	**10.132.352**	**11.773.589**	**26.076.159**	**56.889.435**	**105.411.047**

2012 NEW							
In EUR thousands	**Central banks**	**Central governments**	**Credit institutions**	**Non-credit institutions**	**Corporate**	**Retail**	**Total**
Current accounts/overnight deposits	-	267.172	6.380.671	6.305.613	14.470.641	9.350.352	36.774.449
Deposits with agreed maturity	-	187.799	4.585.066	4.586.504	4.776.494	2.457.561	16.593.424
Deposits redeemable at notice	-	-	44.620	-	341	3.728	48.689
Other deposits	-	19.576	3.281.674	724.969	3.895.193	37.443.940	45.365.352
Debt certificates including bonds	-	-	-	-	868.040	5.095.675	5.963.715
Subordinated liabilities	-	-	200.824	-			200.824
Other financial liabilities	-	-	3.361	-			3.361
Accrued interests	-	0	0	0	0	0	0
Total	-	**474.547**	**14.496.216**	**11.617.086**	**24.010.709**	**54.351.256**	**104.949.814**

2012 OLD							
In EUR thousands	**Central banks**	**Central governments**	**Credit institutions**	**Non-credit institutions**	**Corporate**	**Retail**	**Total**
Current accounts/overnight deposits	-	267.172	6.380.344	6.301.431	14.470.544	9.349.825	36.769.316
Deposits with agreed maturity	-	187.152	4.561.537	4.575.447	4.763.637	2.296.220	16.383.993
Deposits redeemable at notice	-	-	44.600	-	341	3.512	48.453
Other deposits	-	18.942	3.281.674	712.124	3.881.781	37.372.091	45.266.612
Debt certificates including bonds	-	-	-	-	865.918	5.002.696	5.868.614
Subordinated liabilities	-	-	198.243	-			198.243
Other financial liabilities	-	-	3.361	-			3.361
Accrued interests	-	1.281	23.876	28.084	26.366	331.615	411.222
Total	-	**474.547**	**14.493.635**	**11.617.086**	**24.008.587**	**54.355.959**	**104.949.814**

One amount of 1.25 bn representing the issuing of the covered bonds is included in the ‘debt certificates including bonds’ category of the Corporate classification.

Note 17: Financial liabilities associated with transferred assets

Transfer of financial assets - 2013				
In EUR thousands	Securities lending		Sale & Repurchase agreement	
	Equity securities	Debt securities	Equity securities	Debt securities
Transferred financial assets	**0**	**0**	**0**	**33.209**
of which held for trading	-	-	-	26.069
of which at fair value through profit or loss	-	-	-	0
of which available for sale	-	-	-	0
of which loans and receivables	-	-	-	0
of which others	-	-	-	7.140
Associated financial liabilities	**0**	**0**	**0**	**34.028**
Amount due to banks	-	-	-	26.888
Customer deposits and other funds	-	-	-	7.140
Other	-	-	-	-

Transfer of financial assets - 2012				
In EUR thousands				
	Securities lending		**Sale & Repurchase agreement**	
	Equity securities	Debt securities	Equity securities	Debt securities
Transferred financial assets	**-**	**-**	**-**	**881,997**
of which held for trading	-	-	-	125,230
of which at fair value through profit or loss	-	-	-	-
of which available for sale	-	-	-	749,803
of which loans and receivables	-	-	-	-
of which others	-	-	-	6,964
Associated financial liabilities	**-**	**-**	**-**	**896,513**
Amount due to banks	-	-	-	886,972
Customer deposits and other funds	-	-	-	9,541

Note 18: Derivatives used for hedging

Derivatives used for hedging (liabilities)		Dirty price	Clean price
In EUR thousands	**2013**	**2012**	**2012**
Fair value hedge			
IRS	835.611	740.218	655.052
Cross currency swap			
Other			
Accruals			85.166
Notional amount			
Cash flow hedge			
IRS	3.962.702	5.549.075	4.793.304
Cross currency swap			
Other			
Accruals			755.771
Notional amount			
Total	**4.798.313**	**6.289.293**	**6.289.293**

Interest Rate Swaps are concluded to hedge the monthly cash flows affecting the profit and loss accounts on a monthly basis.

Note 19: Provisions

Provisions 2013							
	Restructuring						
In EUR thousands	Termination Benefits	Other restructuring provisions	Pending legal issues	Provisions for tax litigations	Pensions and other post retirement benefit obligations	Other provisions	Total
Opening balance	**433**	**29.082**	**90.124**	**101**	**13.831**	**124.749**	**258.319**
Transfer pension asset to pension liability					-48.414		**-48.414**
Adjustment net liability (or asset) OB IAS19R through OCI					267.792		**267.792**
Opening balance IAS19R					**233.209**		
Additions	37.650	23.985	17.114		0	4.315	83.064
Amounts used		-1.683	-770			-1.879	-4.332
Unused amounts reversed during the period	-255	-20.421	-37.534		0	-6.222	-64.432
Acquisitions (disposals) through business combination							0
Increase in the discounted amount (passage of time) and effect of any change in the discount rate					-76.900		-76.900
Exchange differences					-249		-249
Other movements*	-178	-1.022	1.368		-28.150	298	-27.684
Closing balance	**37.650**	**29.941**	**70.302**	**101**	**127.910**	**121.261**	**387.164**

* other movements contains, amongst others: additions (service cost, interest cost, past service cost) EUR 40,7 mio; plan contributions EUR - 55,1 mio and return on plan assets EUR - 18,4 mio

Provisions 2012							
	Restructuring						
In EUR thousands	**Termination benefits**	**Other restructuring provisions**	**Pending legal issues**	**Provisions for tax litigations**	**Pensions and other post retirement benefit obligations**	**Other provisions**	**Total**
Opening balance	**3,671**	**12,757**	**124,519**	**1,564**	**14,794**	**11,075**	**168,380**
Additions	-	22,664	20,895	78	-	121,517*	165,154
Amounts used	-2,847	-5,253	-12,518	-1,466	-	-643	-22,728
Unused amounts reversed during the period	-354	-1,090	-43,425	-75	-	-3,383	-48,327
Acquisitions (disposals) through business combination	-	-	-	-	-	-	-
Increase in the discounted amount (passage of time) and effect of any change in the discount rate	-	-	-	-	-	-	-
Exchange differences	-	1	-	-	-	-	1
Other movements	-37	3	653	-	-963	-3,817	-4,161
Closing balance	**433**	**29,082**	**90,124**	**101**	**13,831**	**124,749**	**258,319**

Information on pension and other staff-related liabilities

ING Belgium sponsors defined-benefit retirement plans in the major countries in which it operates. These plans are all completely or partially funded by ING. They generally cover all employees and provide them with benefits, in particular upon retirement.

Annual contributions are paid to the funds at a rate that is necessary to adequately finance the accrued liabilities of the plans, calculated in accordance with local legal requirements. In all countries, the plans comply with applicable local regulations concerning investments and funding levels. During 2014, the expected contributions to be paid by ING Belgium to defined benefit retirement plans are estimated to be EUR 16,8 million.

The bank provides certain employees with other post-employment and post-retirement benefits. These are primarily post-retirement health-care benefits and post-employment defined-benefit early retirement plans provided to employees and former employees.

Certain group companies sponsor defined-contribution pension plans. The assets of all of ING Belgium's defined-contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. Due to the market drop, one of those defined-contribution plans showed, as at 31/12/2013, a deficit regarding the minimum return guarantee level valued at EUR 0,9 million. All other defined-contribution plans are funded according to the minimal return guarantee imposed by law in Belgium moreover, new defined contribution plan in force for new employees to ING Belgium as from 01/2007, present an overfunding of about 4.7 million (5.2% of individual account amount) that has been funded by ING Belgium as minimum guarantee reserve.

Evolution of defined benefit pension plans		
In EUR thousands	**2013**	**2012**
Present value of the defined benefit obligation	-742.456	-838.942
Fair value of plan asset	615.229	606.859
Surplus (deficted) in the defined benefit pension plan	-127.227	-232.083
Unrecognized gains/losses	-	267.792
Pension asset	*-202*	-48.414
Pension payable not included in the defined benefit pension plan (defined contribution)	*-481*	-1.126
Total provision for pensions and other post retirement benefit obligations	**-127.910**	**-13.831**

Movements in defined benefit obligations		
In EUR thousands	**2013**	**2012**
Opening balance	**-838.942**	**-753.601**
Current service costs	-18.559	-16.532
Interest costs	-18.758	-29.744
Actuarial gains (losses) arising from changes in demographic assumptions	-5.539	0
Actuarial gains (losses) arising from changes in financial assumptions	64.003	-139.891
Employer's contribution	0	-
Employee's contribution	-1.021	-954
Benefits paid	78.933	99.896
Past service costs	-3.351	2.362
Changes in the composition of the group	0	-
Effect of curtailment or settlement	0	-
Exchange differences	778	-478
Closing balance	**-742.456**	**-838.942**

Movements in the fair value of plan assets		
In EUR thousands	2013	2012
Opening balance	**606.859**	**576.060**
Expected return on plan assets	13.177	28.788
Actuarial gains and losses on plan assets	18.436	33.686
Employer's contribution	55.072	66.854
Employee's contribution	1.021	954
Benefits paid	-78.933	-99.896
Changes in the composition of the group	126	170
Effect of settlement	0	-
Exchange differences	-529	243
Closing balance	**615.229**	**606.859**

Weighted averages of basic actuarial assumptions		
In percent at 31 December	2013	2012
Discount rates	3,0	2,3
Consumer price inflation	2,0	2,0
Expected rates of salary increases (excluding promotional increase)	2,0	2,0

Sensitivity analysis - financial impact of changes in significant actuarial assumptions on the defined benefit obligation - 2013		
In EUR thousands	Financial impact of increase	Financial impact of decrease
Discount rates - increase/decrease of 1%	76.743	-90.173
Mortality rates - increase/decrease of 1 year	-9.784	10.796
Expected rates of salary increase (excluding promotional increase) - increase/decrase of 0.25%	-21.732	17.433
Consumer price inflation - increase/decrease of 0.25%	-9.086	9.448

Pension investment strategy

The primary financial objective of the ING Belgium employee benefit plan is to secure participant retirement benefits. As such, the key objective in the plan's financial management is to promote stability and, to the appropriate extent, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the plan's portfolio of assets (the fund) balances the requirement to generate returns with the need to control risk, in particular to minimize the plan assets' volatility. This strategy is under the responsibility of each independent legal entity entitled to manage the different plans.

The asset mix is recognized as the primary mechanism to influence the reward and risk structure of the fund in an effort to accomplish the plan's funding objectives. Desirable target allocations among identified asset classes are set, and within each asset class, careful consideration is given to balancing the portfolio between industry sectors, geographies, interest rate sensitivity, dependence on economic growth, currency and other factors than can effect investment returns.

The assets are managed by professional investment firms. They are bound by precise mandates and measured against specific benchmarks. Among the managers, consideration is given among others to balancing security concentration, investment style and the reliance on particular active investment strategies. The fund's asset mix is reviewed on a regular basis and is under the responsibility of the entities entitled to manage their fund.

Plan assets		
In EUR thousands	**2013**	**2012**
Equity securities	190.319	167.910
Debt securities	313.944	337.733
Real estate	31.971	31.138
Other	78.995	70.078
Total	**615.229**	**606.859**

'Other' includes amounts that are not invested in equity, debt securities or real estate. It essentially represents cash or insurance reserves..

The plan assets of ING Belgium do not include any property occupied by ING or any own financial instruments except for a small number of own actions held by an index fund or by an actively managed fund.

The actual return of the main defined-benefit plan in Belgium for 2013 was 6,22%. The return of the main defined-contribution plan in Belgium for 2013 was 9,62%

Determination of expected return on assets

As from 01/01/2013 and accordingly to new IAS 19 standard, expected return on assets will be considered as equal to the discount rate i.e. the interest rate on AA-corporate with a duration of 10 years.

Nevertheless, future return on assets is one of the key elements in the risk appreciation. Considering the strategic allocation of the asset portfolio of main plans, and using defensive assumptions per asset class, future return on asset are estimated to

4.1% for the main defined benefit plan in Belgium (closed plan)

4.5% for the main defined contribution plan in Belgium

Other risks

Main other risks of current plans are related to discount rate evolution, inflation, salary increase and mortality.

Sensitivity to those factors are showed here after

- discount rate evolution:

  An increase of the discount rate with 1% would mean a reduction about 10% of the liabilities (62.7 million) while a decrease if the discount rate with 1% would results in an increase of the liabilities with about 11% (73.1 million)

- inflation:

  An increase of the inflation with 0.25% p.a. would mean an increase of about 1% of the liabilities (10.0 million) while a decrease of the inflation with 0.25% p.a. would results in an decrease of the liabilities with about 1% (8.3 million)

- salary increase:

  An increase of the salary growth (excluding inflation) with 0.25% p.a. would mean an increase with about 3% of the liabilities (18.8 million) while a decrease of salary growth with 0.25% p.a. would results decrease of the liabilities with about 2% (14.4 million)

- mortality:

  Assuming current and future beneficiaries would be one year older than they are would results in a decrease of the liability with about 1.5% (9.6 million) while assuming they would be one year younger would increase the liability with 1.3% (8.7 million).

  This results comes mainly from the pensioners population for who the liability decrease with age.

Based on these results, one could conclude that assumption leading to the highest volatility is the discount rate. Salary growth and inflation are also sensible factors but in a lower way. Regarding the mortality assumption, as pensioners population is limited and decreasing, the risks related to mortality deviation is limited and will continue to decrease.

Note 20: Deferred tax liabilities

Deferred tax liabilities		
In EUR thousands	**2013**	**2012**
Investments	32.577	97.022
Financial assets and liabilities at fair value through profit or loss	0	146.174
Depreciation	0	1.203
Other provisions	73.669	75.285
Loans and advances to customers	67.013	54.259
Property and equipment	3.238	100.777
Other	39.426	-74.372
Total	**215.922**	**400.348**

Other deferred tax liabilities mainly relate to the pensions and post employment benefits.

Note 21: Other liabilities

‘Other debts’ mainly consists of immediately payable debts. ‘Other’ covers mainly transitory accounts.

Other liabilities		
In EUR thousands	**2013**	**2012**
Employee benefits	14.104	31.902
Social security charges	276.550	277.260
Payable on goods and services supplied	80.013	61.277
Accrued charges (other than from interest expenses on financial liabilities)	232.706	234.151
Income received in advance	119.610	147.022
Other debts	675.486	874.263
Other	998.022	882.629
Total	**2.396.491**	**2.508.504**

Note 22: Share capital repayable on demand

Members' shares in co-operative entities have some characteristics of equity. They also give the holder the right to request redemption for cash, although that right may be subject to certain limitations. Under IFRIC 2, shares for which the member has the right to request redemption are normal liabilities. The total amount relates to the third-party members' shares in our co-operative entity Record Credit Services.

Note 23: Equity attributable to equity holders of the company

Equity attributable to equity holders of the company		
In EUR thousands	**2013**	**2012**
Issued capital	2.350.000	2.350.000
Share premium	451.511	451.511
Revaluation reserves	94.704	354.105
of which:		
- tangible assets revaluation reserve	*159.419*	*161.301*
- hedge of net investments in foreign operations reserve (effective)	*-88.311*	*-98.638*
- foreign currency translation reserve	*80.859*	*91.091*
- cash flow hedge reserve (effective)	*-352.417*	*-264.973*
- fair value revaluation reserve on financial assets available for sale	*421.900*	*465.324*
Reserves including retained earnings	5.983.956	6.932.621
Net profit or loss	977.679	771.798
Total	**9.857.850**	**10.860.035**

The reserves including retained earnings mainly includes the reserves available for distribution, result brought forward, consolidation reserves and legal reserves.

The revaluation reserves consist of different types of reserves. Subsequent to initial recognition, property, and equipment is revalued to fair value. The revaluation surplus is recognised in equity, through the tangible assets revaluation reserve. A subsequent revaluation decrease must be charged against this reserve to the extent that the reserve is positive.

Gains and losses arising from the revaluation of a financial instrument designated as a hedge are deferred in the hedge revaluation reserve.

Where a subsidiary is a foreign operation, foreign currency translation differences should be recognised in equity through the foreign currency translation reserve.

Unrealised gains/losses on investments classified as available-for-sale are also recognised in equity within the revaluation reserve. These gains/losses are recycled to the income statement on disposal or when the asset becomes impaired.

Share Capital		
	Ordinary shares	
in EUR thousands	Number	Amount
2013		
Authorised unissued share capital	-	-
Issued share capital	55.414.550	2.350.000
2012		
Authorised unissued share capital	-	-
Issued share capital	55.414.550	2.350.000
2011		
Authorised unissued share capital	-	-
Issued share capital	55.414.550	2.350.000
2010		
Authorised unissued share capital	-	-
Issued share capital	55.414.550	2.350.000
2009		
Authorised unissued share capital	-	-
Issued share capital	55.414.550	2.350.000
2008		
Authorised unissued share capital	-	-
Issued share capital	55.414.550	2.350.000

7.7.2 Notes to the consolidated income statement

Note 24: Net interest income

Net interest income		
In EUR thousands	**2013**	**2012**
Cash and cash balances with central banks	4.744	9.703
Financial assets held for trading	4.928.657	11.357.303
Financial assets designated at fair value through profit or loss	38.502	54.202
Financial assets available for sale	594.590	379.069
Loans and receivables	3.041.794	3.593.013
Derivatives used for hedging	2.018.112	2.420.779
Interest income	**10.626.399**	**17.814.069**
Financial liabilities held for trading	4.793.240	11.281.135
Financial liabilities designated at fair value through profit or loss	22.505	48.561
Financial liabilities measured at amortised cost	1.032.596	1.280.175
Derivatives used for hedging	2.042.745	2.595.404
Other liabilities		-
Interest expenses	**7.891.086**	**15.205.275**
Net interest income	**2.735.313**	**2.608.794**
Of which net interest (income) or expense on impaired financial assets	2.131	1.627

Note 25: Net fee and commission income

‘Other fee and commission income’ mainly includes revenues related to Life insurance, Non-life insurance and commissions received for the non used part of credit lines granted. ‘Other fee and commission expenses’ mainly pertains to payment transfer and credit commitments.

Net fee and commission income		
In EUR thousands	**2013**	**2012**
Fee and commission income	**842.956**	**862.150**
Securities	250.639	277.509
Asset management	14.594	12.036
Credit commitments	189.426	188.926
Custody	27.693	28.230
Payment services	127.850	113.902
Servicing fees from securitisation activities	14.173	16.474
Other	218.581	225.073
Fee and commission expenses	**278.715**	**271.103**
Securities	18.953	34.620
Asset management	222	431
Commissions paid to intermediaries	184.254	160.403
Custody	2.695	2.544
Clearing and settlement	82	677
Other	72.509	72.428
Net fee and commission income	**564.241**	**591.047**

Note 26: Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss

Realised gains and losses on financial assets & liabilities not measured at fair value through profit or loss		
In EUR thousands	**2013**	**2012**
Realised gains	**87.219**	**129.273**
Financial assets available for sale	66.599	122.894
Loans and receivables	20.620	6.379
Financial liabilities (excluding items held for trading)	0	-
Other	0	-
Realised losses	**-7.050**	**-53.161**
Financial assets available for sale	-6.746	-52.911
Loans and receivables	0	-251
Financial liabilities (excluding items held for trading)	-304	0
Other	0	0
Net realised gains (losses)	**80.169**	**76.112**

Note 27: Net gains and losses on financial assets and liabilities held for trading

Net gains and losses on financial assets and liabilities held for trading*		
In EUR thousands	**2013**	**2012**
Equity instruments and related derivatives	19.369	-161.543
Interest rate instruments and related derivatives	-47.966	314.394
Foreign exchange trading	-900	1.724
Commodities and related derivatives	457	592
Credit derivatives	-15.742	-24.550
Trading liabilities	0	0
Other	-13.350	-5
Net gains (losses)	**-58.132**	**130.612**

*Excluding interest flows for all items

Note 28: Net gains and losses on financial assets and liabilities designated at fair value through profit or loss

Net gains and losses on financial assets and liabilities designated at fair value through profit or loss*		
In EUR thousands	**2013**	**2012**
Gains	**40.874**	**70.431**
Financial assets at fair value through profit or loss	694	33.447
Financial liabilities at fair value through profit or loss	40.180	36.984
Losses	**-44.540**	**-336.220**
Financial assets at fair value through profit or loss	-2.362	-34.140
Financial liabilities at fair value through profit or loss	-42.178	-302.080
Net gains (losses)	**-3.666**	**-265.789**

*Excluding interest flows for all items

Note 29: Fair value adjustments in hedge accounting

Analysis of fair value adjustments in hedge accounting						
	2013		2012		2011	
In EUR thousands	**Gains**	**Losses**	**Gains**	**Losses**	**Gains**	**Losses**
Fair value hedge	**1.209.177**	**1.209.811**	**1.123.845**	**1.103.593**	**500.022**	**273.604**
Fair value changes of the hedged item	7.947	403.732	270.197	-	490.991	-
Fair value changes of the hedging derivatives (Including discontinuation)	1.201.230	806.079	853.648	1.103.593	9.031	273.604
Cash flow hedge		**-13**	**18**	-	**41**	-
Fair value changes of the hedging instrument - ineffective portion		-13	18	-	41	-
Net investment hedge			-	-	-	-
Fair value changes of the hedging instrument - ineffective portion			-	-	-	-
Total	**1.209.177**	**1.209.798**	**1.123.863**	**1.103.593**	**500.063**	**273.604**

Transfers from cash flow hedge reserve to profit and loss			
In EUR thousands	**2013**	**2012**	**2011**
Up to one year	265.268	250.996	214.435
One to five years	-61.238	181.025	93.456
Over five years	-556.447	-683.609	-646.425

Note 30: Exchange differences revaluations

Exchange differences revaluations		
In EUR thousands	**2013**	**2012**
Foreign exchange	113.813	109.084
Currency & interest rate swaps	1.636	-4.300
Currency options	-13.490	-15.868
Forward exchange rate contracts	-193	69
Total exchange differences revaluations	**101.766**	**88.985**

Note 31: Gains and losses on derecognition of assets other than held for sale

Gains and losses on derecognition of assets other than held for sale		
In EUR thousands	**2013**	**2012**
Realised gains	**157**	**3.403**
Derecognition of tangible fixed assets	157	3.403
Derecognition of investments in associates, joint ventures and subsidiaries		
Realised losses	**-4.250**	**-3.176**
Derecognition of tangible fixed assets	-4.250	-3.168
Derecognition of investments in associates, joint ventures and subsidiaries		-8
Total	**-4.093**	**227**

Note 32: Other net operating income

Other net operating income		
In EUR thousands	**2013**	**2012**
Income	**120.284**	**125.301**
Property, plant and equipment & investment property measured using the revaluation model	1	262
Rental income from investment property	-1	467
Operational leases	1.082	1.302
Other	119.202	123.270
Expenses	**83.448**	**108.280**
Property, plant and equipment & investment property measured using the revaluation model		-
Other	83.448	108.280
Net total	**36.836**	**17.021**

Note 33: Staff expenses

Breakdown of staff expenses		
In EUR thousands	**2013**	**2012**
Wages and salaries	723.379	719.760
Social security charges	199.791	194.962
Pension and similar expenses (1)+(2)	58.362	57.781
Share based payments	9.033	15.194
Other	167.724	187.782
Total	**1.158.289**	**1.175.479**

Pension costs analysis		
In EUR thousands	**2013**	**2012**
Current service costs	18.561	16.532
Past service costs	3.351	-2.362
Interest expenses	18.758	29.744
Expected return on assets	-13.177	-28.788
Amortisation of unrecognised past service costs	0	-
Amortisation of unrecognised actuarial gains/losses	0	5.032
Effect of curtailment or settlement	0	-
Defined benefit post-employment plans (1)	27.492	20.157
Defined contribution plans (2)	30.863	37.624
Of which defined contributions for the senior management	8.733	11.760

Defined-benefit plans are held by ING Belgium, ING Lease, Record Group, ING Contact Centre and ING Luxembourg.

Note 34: General and administrative expenses

General and administrative expenses		
In EUR thousands	**2013**	**2012**
Marketing expenses	37.277	38.253
Professional fees	28.258	28.835
IT expenses	120.931	118.729
Repair and maintenance	51.847	48.993
Accomodation expenses	44.013	45.202
Other taxes	116.059	126.562
Overhead costs charged by related parties	34.875	29.434
Other	234.640	187.730
Total	**667.900**	**623.738**

Note 35: Impairments

Breakdown by types of assets impaired		
In EUR thousands	**2013**	**2012**
Impairment losses on financial assets not measured at fair value through profit or loss	**220.647**	**217.678**
Financial assets available for sale	801	11.502
Loans and receivables	219.846	206.176
Other impairments	**6.607**	**7.214**
Property, plant and equipment	-213	4.008
Investment property		
Goodwill and other intangible assets	6.502	2.287
Other	-	-
Investments in associates and joint ventures accounted for under the equity method	318	918
Total	**227.254**	**224.892**

Carrying amount of financial and other assets impaired		
In EUR thousands	**2013**	**2012**
Equity securities	16.038	15.058
Debt securities	3.230	10.047
Loans & advances	2.006.294	1.766.606
Other financial assets	266911	251.090
Total	**2.292.473**	**2.042.801**

Note 36: Income tax expenses related to profit and loss from continuing operations

Breakdown of income tax expenses		
In EUR thousands	**2013**	**2012**
Current tax expenses	**351.172**	**294.584**
Current tax for the period	364.613	326.263
Adjustments for current tax of previous periods	-13.441	-31.679
Previously unrecognised tax losses, tax credits, temporary differences reducing current tax		
Deferred tax expenses	**4.878**	**-14.747**
Deferred taxes arising from current period	4.907	-14.127
Deferred taxes arising from changes in tax rates	-29	-620
Deferred taxes arising from the reversal of deferred tax assets		
Previously unrecognised tax losses, tax credits, temporary differences reducing deferred tax		
Other tax expenses	**0**	**0**
Tax expense (income) relating to changes in accounting policies and errors in P&L		
Taxes relating to the gain or loss on discontinuance of an operation		
Income tax expense of discontinued operations		
Total income tax expenses	**356.050**	**279.837**

Income tax expenses related to investments in subsidiaries, associates and joint ventures		
In EUR thousands	**2013**	**2012**
Deferred tax liabilities recognised on temporary differences related to investments in subsidiaries, associates and joint ventures	**1.453**	**1.551**
Amount of dividend decided to be paid next year*	85.491	91.291
Portion of dividend subject to income tax	4.275	4.565
Parent company tax rate on distributed profits	33,99%	33,99%
Income tax on dividend decided to be paid next year	1.453	1.551
Deferred tax liabilities not recognised on unremitted income of subsidiaries, associates and joint ventures	**16.186**	**19.997**
Parent company share of unremitted income at year-end	1.037.884	1.267.946
Unremitted income on which no tax liabilities have been recognised	952.394	1.176.655
Portion of dividend that would be subject to income tax if paid	47.620	58.833
Parent company tax rate used on undistributed profits	33,99%	33,99%
Income tax not recognised on unremitted income	16.186	19.997

* estimation based on the current payout ratio

Reconciliation of statutory tax rate to effective tax rate		
In EUR thousands	**2013**	**2012**
Result before taxation Tax expense using statutory rate	1.330.162	1.051.855
Statutory tax rate	**33,99%**	**33,99%**
Statutory tax amount	452.122	357.525
Tax effect of rates in other jurisdictions	-19.494	-5.622
Tax effect of non taxable revenues	-26.323	-28.099
Tax effect of non tax deductible expenses	26.496	32.175
Tax effect of utilisation of previously unrecognised tax losses		
Tax effect on tax benefit not previously recognised in profit or loss		
Tax effect from reassessment of unrecognised deferred tax assets		
Tax effect of change in tax rates	-29	-620
Tax effect from under or over provisions in prior periods	-8.794	-3.590
Tax effect from notional interest	-69.419	-71.581
Other increase (decrease) in statutory tax charge	1.490	-351
Effective tax amount	**356.050**	**279.837**
Effective tax rate	**26,77%**	**26,60%**

7.7.3 Additional information

7.7.3.1 Fair value of financial assets and liabilities

The estimated fair values correspond with the amounts at which the financial instruments could have been traded on a fair basis at the balance sheet date between knowledgeable, willing parties in arm's-length transactions. The fair value of financial assets and liabilities is based on quoted market prices, where available. Because substantial trading markets do not exist for all of these financial instruments, various techniques have been developed to estimate their approximate fair values. These techniques are subjective in nature and involve various assumptions about the discount rate and the estimates of the amount and timing of the anticipated future cash flows. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

ING Belgium reports assets and liabilities that are measured at fair value in a three-level hierarchy:

- Level 1: published price quotations in an active market;
- Level 2: valuation technique supported by market inputs;
- Level 3: valuation technique not supported by market inputs.

Level 1: includes only assets and liabilities for which the fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities. An asset or liability is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions in an active market around the measurement date.

Level 2: Level 2 includes assets and liabilities for which the fair value is determined using inputs other than (level 1) quoted prices that are market observable, either directly or indirectly, i.e.:
☐ using a model, where all significant inputs into the model are market observable;
☐ using adjusted quoted prices in an active market where the adjustment is solely based on market observable data (e.g. because the quoted prices relate to similar, but not identical assets or liabilities);

☐ using quoted prices from an inactive market without adjustment or with adjustments that are solely based on market observable data; where several quotes are obtained for the same instrument, a narrow range between the prices obtained may be an indicator that the prices are based on market observable data.

Level 3: includes assets and liabilities for which the fair value is determined using (certain) inputs that are not based on observable market data (unobservable inputs), i.e.:
☐ using a model, where one or more significant inputs are not market observable;
☐ using adjusted quoted prices where the adjustment is based on non-market observable data;
☐ using quoted prices from an inactive market with one or more adjustments that are based on non-market observable data; where several quotes are obtained for the same item and the disparity within the range of prices obtained is significant, the item is classified in level 3.

Transfers out of Level 1 into Level 2 occur when ING Group establishes that markets are no longer active and therefore (unadjusted) quoted prices no longer provide reliable pricing information. Transfers out of Level 2 into Level 1 occur when ING Group establishes that markets have become active for identical assets and liabilities and therefore (unadjusted) quoted prices provide reliable pricing information.

With the introduction of IFRS 13 "Fair Value Measurement" additional disclosures are asked:

- Financial instruments that are measured in the balance sheet at amortised cost, but of which the fair value is disclosed in the notes; this mainly relates to loans; and
- Non-financial assets that are measured in the balance sheet at fair value; this mainly relates to real estate.
- Customer deposits and other funds on deposit

Classification of Loans
Valuation of loans is normally not based on market prices for the specific loan, and therefore is not a Level 1 measurement. The determination of the fair value of loans is normally based on a valuation technique that includes various inputs, such as market yields, expected credit losses and liquidity. As such, the valuation includes non-observable inputs (such as expected credit loss and liquidity) that, especially in the current market environment, are expected to significantly impact the estimated fair value. Therefore, fair values of loans are normally classified in Level 3. Only when all significant inputs are obtained from market data, the fair value may be classified in Level 2. This could be the case when specific market data are available (e.g. when expected credit losses are based on market CDS spreads for the specific exposure) or when unobservable inputs are insignificant (e.g. for liquid loans with insignificant credit risk).

Classification of Real estate
Valuation of real estate is normally not based on market prices for the specific property, and therefore is not a Level 1 measurement. Valuations are normally based on appraisals that take into account various inputs and assumptions, such as rental income and required yields. These include non-observable inputs that, especially in the current market environment, are expected to significantly impact the estimated fair value. Therefore, fair values of real estate are normally expected to be classified in Level 3. Only when sufficient observable market transactions have occurred for properties that are similar to the property being valued, and the fair value estimate is based (almost) fully on such market transaction data, the fair value may be classified in Level 2.

Classification of Customer Deposits and Other Funds on Deposit
Valuations of instruments where the carrying value equals both the fair value and the notional amount because they are on demand, are classified as Level 1 measurements.

For customer deposits and other funds on deposit not on demand, fair value is normally based on a valuation technique. If the valuation only includes observable inputs such as interest the valuation is classified as Level 2. If the valuation includes non-observable inputs such as own credit, and this non-observable input significantly impacts the estimated fair value the valuation would be expected to be classified in Level 3.

Description of the significant unobservable inputs

A yield curve is derived from a selection of instruments of different maturities. A **spot rate** curve or zero-coupon curve is arrived at by bootstrapping and interpolating the yield curve. A forward rate curve is calculated by applying a mathematical formula to the spot rate curve. A **forward rate** represents the yield for a certain period, starting at a certain point in the future. A **swap rate** is the fixed rate that sets the market value of a given swap at initiation at zero.

A repo (or repurchase agreement) is the sale of securities together with an agreement for the seller to buy back the securities at a later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest, called the **repo rate**.

Credit spread is the yield spread, or difference in yield between different securities due to different credit quality. The credit spread reflects the additional net yield an investor can earn from a security with more credit risk relative to one with less credit risk.

The **recovery rate** is the estimated level of recovery should a counterparty default.

Volatility is a measure for variation of price of a financial instrument over time. Historic volatility is derived from the series of past market prices. An implied volatility is derived from the market price of a market traded derivative (in particular an option). The implied volatility of an option contract is that value of the volatility of the underlying instrument which, when input in an option pricing model will return a theoretical value equal to the current market price of the option. Depending on the parameter being analysed, one can distinguish **equity volatility, interest rate volatility and FX volatility**.

Correlation is the most familiar measure of dependence between two quantities. Stock-stock correlation measures the dependency between two stock prices, while IR-IR correlation measures the dependeny between two interest rates.

Implied correlation is the market's price for the correlation between the return of assets. It can be backed out from the observed price of a derivative contract which relates two or more assets.

Fair value of financial instruments

In EUR thousands	2013 Fair value	2013 Carrying amount	2012 Fair value	2012 Carrying amount	2011 Fair value	2011 Carrying amount
Cash and cash balances with central banks	1.648.292	1.648.292	1.492.232	1.492.232	2.570.104	2.570.104
Financial assets held for trading	18.419.397	18.419.397	39.846.248	39.846.248	37.342.546	37.342.546
Financial assets designated at fair value through profit or loss	273.149	273.149	278.008	278.008	498.242	498.242
Available-for-sale financial assets	19.845.088	19.845.088	20.704.980	20.704.980	21.221.861	21.221.861
Loans and receivables	97.195.386	96.608.892	99.486.436	97.733.996	100.934.423	99.772.643
Other financial assets	3.828.412	3.828.412	5.441.053	5.441.053	4.180.595	4.180.595
Financial liabilities held for trading	17.136.393	17.136.393	38.479.224	38.479.224	37.627.373	37.627.373
Financial liabilities designated at fair value through profit or loss	3.043.757	3.043.757	3.310.670	3.310.670	3.935.084	3.935.084
Financial liabilities measured at amortised cost	105.007.090	105.411.047	105.715.987	104.949.814	101.819.371	101.423.230
Other financial liabilities	4.832.341	4.832.341	7.185.807	7.185.807	12.705.017	12.705.017

Assets : fair value of financial instruments 2013	Comparison		Fair value hierarchy		
In EUR thousands	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets at fair value	**43.084.340**	**43.084.340**	**21.069.663**	**20.396.020**	**1.618.655**
Financial assets held for trading	**18.419.397**	**18.419.397**	**2.156.274**	**16.196.173**	**66.950**
Equity securities, debt securities, loans and advances	1.427.467	1.427.467	1.406.124	16.593	4.750
Derivatives	16.954.469	16.954.469	712.689	16.179.580	62.200
Loans and advances	37.461	37.461	37.461		
Financial assets designated at fair value through profit or loss	**273.149**	**273.149**	**-**	**270.095**	**3.053**
Equity securities and debt securities	207.815	207.815	-	204.761	3.053
Derivatives	-	-			
Loans and advances	65.334	65.334		65.334	-
Financial assets available-for-sale	**19.845.088**	**19.845.088**	**18.803.975**	**523.266**	**517.847**
Debt securities	19.779.779	19.779.779	18.801.890	523.266	454.623
Equity securities	65.309	65.309	2.085	-	63.224
Loans and advances	-	-	-	-	-
Derivatives used for hedging	**3.771.249**	**3.771.249**	**-**	**3.771.248**	**-**
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**57.163**	**57.163**	**44.080**	**13.083**	**-**
Tangible fixed assets (Lands and Buidings in own use)	**636.826**	**636.826**	**-**	**-**	**636.826**
Investment properties	**7.750**	**7.750**	**-**	**7.380**	**370**
Investments in entities with a participation relationship but not consolidated	**73.718**	**73.718**	**-**	**-**	**73.718**
Assets at amortised cost	**98.257.184**	**97.195.386**	**2**	**4**	**97.195.380**
Cash and cash balances with central banks	**1.648.292**				
Loans and receivables	**96.608.892**	**97.195.386**	**2**	**4**	**97.195.380**
Financial assets held to maturity	**-**	**-**	**-**	**-**	**-**

Liabilities : Fair value of financial instruments 2013	Comparison		Fair value hierarchy		
In EUR thousands	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Liabilities at fair value	**25.012.491**	**25.012.490**	**321.395**	**24.529.195**	**161.900**
Financial liabilities held for trading	**17.136.393**	**17.136.392**	**321.395**	**16.653.097**	**161.900**
Short positions in fixed income securities	92.781	92.781	92.781		
Derivatives	17.043.611	17.043.611	228.614	16.653.097	161.900
Financial liabilities designated at fair value through profit or loss	**3.043.757**	**3.043.757**	**-**	**3.043.757**	**-**
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities	3.043.757	3.043.757	-	3.043.757	-
Derivatives	-	-	-	-	-
Liabilities associated to transfered assets	**34.028**	**34.028**	**-**	**34.028**	**-**
Derivatives used for hedging	**4.798.313**	**4.798.313**	**-**	**4.798.313**	**-**
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**-**	**-**	**-**	**-**	**-**
Liabilities at amortised cost	**105.411.242**	**105.007.090**	**81.522.258**	**22.756.990**	**727.842**
Central banks	**195**	**195**	**195**	**-**	**-**
Ohter financial liabilities	**105.411.047**	**105.006.895**	**81.522.063**	**22.756.990**	**727.842**

Assets : fair value of financial instruments 2012	Comparison		Fair value hierarchy		
In EUR thousands	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets at fair value	**66.270.289**	**66.270.289**	**24.806.798**	**40.469.400**	**994.091**
Financial assets held for trading	**39.846.248**	**39.846.248**	**4.989.020**	**34.549.129**	**308.099**
Equity securities, debt securities, loans and advances	2.531.789	2.531.789	2.478.976	52.813	-
Derivatives	37.314.459	37.314.459	2.510.044	34.496.316	308.099
Loans and advances	-	-	-	-	-
Financial assets designated at fair value through profit or loss	**278.008**	**278.008**	**71.431**	**206.577**	**-**
Equity securities and debt securities	498.242	498.242	71.431	206.577	-
Derivatives	-	-	-	-	-
Loans and advances	-	-	-	-	-
Financial assets available-for-sale	**20.704.980**	**20.704.980**	**19.611.061**	**407.927**	**685.992**
Debt securities	20.629.061	20.629.061	19.600.086	352.574	676.401
Equity securities	75.919	75.919	10.975	55.353	9.591
Loans and advances	-	-	-	-	-
Derivatives used for hedging	**5.260.601**	**5.260.601**	**72**	**5.260.529**	**-**
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**180.452**	**180.452**	**135.214**	**45.238**	**-**
Tangible fixed assets (Lands and Buidings in own use)	**-**	**-**	**-**	**-**	**-**
Investment properties	**-**	**-**	**-**	**-**	**-**
Investments in entities with a participation relationship but not consolidated	**-**	**-**	**-**	**-**	**-**
Assets at amortised cost	**99.226.228**	**100.978.668**	**-**	**-**	**-**
Cash and cash balances with central banks	**1.492.232**	**1.492.232**	**-**	**-**	**-**
Loans and receivables	**97.733.996**	**99.486.436**	**-**	**-**	**-**
Financial assets held to maturity	**-**	**-**	**-**	**-**	**-**

Liabilities : Fair value of financial instruments 2012	Comparison		Fair value hierarchy		
In EUR thousands	Carrying amount	Fair value	Level 1	Level 2	Level 3
Liabilities at fair value	**48.975.701**	**48.975.701**	**854.112**	**47.840.987**	**280.603**
Financial liabilities held for trading	**38.479.224**	**38.479.224**	**753.993**	**37.444.629**	**280.603**
Short positions in fixed income securities	413.944	413.944	413.944	-	-
Derivatives	38.065.280	38.065.280	340.049	37.444.629	280.603
Financial liabilities designated at fair value through profit or loss	3.310.670	3.310.670	-	3.310.670	-
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities	**3.310.670**	**3.310.670**	**-**	**3.310.670**	**-**
Derivatives	-	-	-	-	-
Liabilities associated to transfered assets	896.513	896.513	-	896.513	-
Derivatives used for hedging	6.289.294	6.289.294	100.119	6.189.175	-
Change in fair value of hedged items in a hedged portfolio for interest rate risk	**-**	**-**	**-**	**-**	**-**
Liabilities at amortised cost	104.974.560	-	-	-	-
Central banks	24.746	-	-	-	-
Ohter financial liabilities	104.949.814	-	-	-	-

Significant transfers between level 1 and level 2 of fair value 2013

In EUR thousands — **2013**

Assets	To level 1	From level 1	To level 2	From level 2
<u>Assets at fair value</u>				
Financial assets held for trading				
Equity securities, debt securities, loans and advances	23.430	-1.658	1.658	-23.430
Derivatives				
Loans and advances				
Financial assets designated at fair value through profit or loss				
Equity securities and debt securities		-148.513	148.513	
Derivatives				
Loans and advances				
Financial assets available-for-sale				
Debt securities				
Equity securities				
Loans and advances				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
Tangible fixed assets (Lands and Buidings in own use)				
Investment properties				
Investments in entities with a participation relationship but not consolidated				
<u>Assets at amortised cost</u>				
Cash and cash balances with central banks				
Loans and receivables				
Financial assets held to maturity				
Liabilities				
<u>Liabilities at fair value</u>				
Financial liabilities held for trading				
Short positions in fixed income securities				
Derivatives				
Financial liabilities designated at fair value through profit or loss				
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities				
Derivatives				
Liabilities associated to transfered assets				
Derivatives used for hedging				
Change in fair value of hedged items in a hedged portfolio for interest rate risk				
<u>Liabilities at amortised cost</u>				
Central banks				
Ohter financial liabilities				

Fair value level 3 - 2013									
In EUR thousands	Opening balance	Purchases	Sales	Issues	Settlements	Transfers to level 3	Transfers from level 3	Revaluations	Closing balance
Assets									
Assets at fair value									
Financial assets held for trading	**308.099**	**67.897**	**-308.531**			**4.592**		**-5.107**	**66.950**
Equity securities, debt securities, loans anc	0					4.592		158	4.750
Derivatives	308.099	67.897	-308.531					-5.265	62.200
Loans and advances									
Financial assets designated at fair value through profit or loss		**618**	**-91**			**1.849**		**677**	**3.053**
Equity securities and debt securities		618	-91			1.849		677	3.053
Derivatives									
Loans and advances									
Financial assets available-for-sale	**685.992**	**99.245**	**-322.496**			**53.633**		**1.473**	**517.847**
Debt securities	676.401	99.245	-322.496					1.473	454.623
Equity securities	9.591					53.633			63.224
Loans and advances									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Tangible fixed assets (Lands and Buidings in own use)	625.629					3.080		8.117	636.826
Investment properties		370							370
Investments in entities with a participation relationship but not consolidated		8.230	-3.488			56.549		12.427	73.718
Assets at amortised cost									
Cash and cash balances with central banks									
Loans and receivables*	3.610.075	284.454	-956.798					-34.992	2.902.739
Financial assets held to maturity									
Liabilities									
Liabilities at fair value									
Financial liabilities held for trading	**280.219**	**357.182**	**-508.120**					**32.619**	**161.900**
Short positions in fixed income securities									
Derivatives	280.219	357.182	-508.120					32.619	161.900
Financial liabilities designated at fair value through profit or loss									
Term deposits, certificates of deposit, non-convertible bonds - structured notes and subordinated liabilities									
Derivatives									
Liabilities associated to transfered assets									
Derivatives used for hedging									
Change in fair value of hedged items in a hedged portfolio for interest rate risk									
Liabilities at amortised cost									
Central banks									
Ohter financial liabilities*	762.062		-37.097					2.877	727.842

Total gains or losses for the period for fair value measurements in level 3 - 2013			
In EUR thousands	**Profits**	**Losses**	**Gains or losses relating to assets and liabilities held at the end of the period**
Income statement			
Gains and losses on financial assets and liabilities held for trading	15.307.039	-15.365.170	**-58.131**
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	40.874	-44.541	**-3.666**
Fair value adjustments in hedge accounting			
Other comprehensive income			
Revaluation reserve available for sale		-43.425	**-43.425**
Cash flow hedges		-87.443	**-87.443**
Impact of alternative assumptions reasonably possible that would change fair value significantly			

7.7.3.1.1 Fair value of financial assets

The following methods and assumptions were used by ING Belgium to estimate the fair value of the financial instruments.

7.7.3.1.1.1 Cash and balances with central banks

The carrying amount of cash equals its fair value.

7.7.3.1.1.2 Financial assets at fair value through profit or loss and held for trading

The fair values of securities in the trading portfolio and other assets at fair value through profit and loss are based on quoted market prices, where available. For those securities that are not actively traded, fair values are estimated based on internal discounted cash flow pricing models, taking into account current cash flow assumptions and the counterparties' credit standings.

7.7.3.1.1.3 Financial assets available for sale

The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed income securities are based on quoted market prices, where available. For those securities that are not actively traded, fair values are estimated based on values obtained from private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment.

7.7.3.1.1.4 Loans and advances

For loans and advances that are frequently repriced and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows, using interest rates offered for similar loans to borrowers with similar credit ratings. The fair values of non-performing loans are estimated by discounting the expected cash flows of recoveries.

These assets are included under level 3 of the fair value classification

The fair values of mortgage loans are estimated by discounting future cash flows, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair values of fixed-rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The fair values of variable-rate policy loans approximate their carrying values.

7.7.3.1.1.5 Other financial assets

The carrying amount of other financial assets approximates their fair value.

7.7.3.1.2 Fair value of financial liabilities

The following methods and assumptions were used by ING Belgium to estimate the fair value of the financial instruments.

7.7.3.1.2.1 Financial liabilities at amortised cost

The fair value of the financial liabilities at amortised cost is estimated using discounted cash flows based on interest rates that apply to similar instruments.

7.7.3.1.2.2 Financial liabilities at fair value through profit or loss and held for trading

The fair values of securities in the trading portfolio and other liabilities at fair value through profit or loss are based on quoted market prices, where available. For those securities that are not actively traded, fair values are estimated based on internal discounted cash flow pricing models, taking into account current cash flow assumptions and the banks' credit standings.

7.7.3.1.2.3 Other financial liabilities

The carrying amount of other liabilities approximates their fair value.

Split by method for determining fair value - 2013

In percentage	Published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs
ASSETS			
Assets at fair value	48,90%	47,34%	3,76%
Financial assets held for trading	11,71%	86,19%	2,10%
Financial assets designated at fair value through profit or loss	23,92%	74,96%	1,12%
Financial assets available-for-sale	94,75%	2,64%	2,61%
Derivatives used for hedging	0,00%	100,00%	0,00%
Change in fair value of hedged items in a hedged portfolio for interest rate risk	77,11%	22,89%	0,00%
Tangible fixed assets (Lands and Buidings in own use)	0,00%	0,00%	100,00%
Investment properties	0,00%	95,23%	4,77%
Investments in entities with a participation relationship but not consolidated	0,00%	0,00%	100,00%
Assets at amortised cost	0,00%	0,00%	100,00%
LIABILITIES			
Liabilities at fair value	1,28%	98,39%	0,32%
Financial liabilities held for trading	1,88%	97,65%	0,47%
Financial liabilities designated at fair value through profit or loss	0,00%	100,00%	0,00%
Liabilities associated to transfered assets	0,00%	100,00%	0,00%
Derivatives used for hedging	0,00%	100,00%	0,00%
Change in fair value of hedged items in a hedged portfolio for interest rate risk	-	-	-
Liabilities at amortised cost	77,63%	21,67%	0,69%

Split by method for determining fair value - 2012

In percentage	Published price quotations	Valuation technique supported by market inputs	Valuation technique not supported by market inputs
ASSETS			
Financial assets held for trading	12.52%	86.71%	0.77%
Financial assets at fair value through profit and loss	25.69%	74.31%	-
Available for sale investments	94.72%	1.97%	3.31%
Other financial assets	2.49%	97.51%	-
LIABILITIES			
Financial liabilities held for trading	1.96%	97.31%	0.73%
Financial liabilities at fair value through profit and loss	-	100.00%	-
Financial liabilities associated with transferred assets and derivatives used for hedging	1.39%	98.61%	-

* Reverse repurchase agreements have been included in this category. Since these are short-term transactions, notional value equals fair value.

7.7.3.1.2.4 *Offsetting Financial assets and financial liabilities*

Offsetting Financial Assets and financial liabilities							
Balance sheet line item	Financial Instrument				Related amounts not set off in the statement		
As at December 2013		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statements of financial position	Financial Instruments	Cash and financial instruments received as collateral	Net amount
Amounts due from banks	Reverse repurchase securities borrowing and similar agreements	0	0	0	0	0	0
	Other	7.093.218	0	7.093.218	3.464.566	1.178.319	2.450.333
Financial assets at fair value through profit and loss - Trading assets	Derivatives	21.686.124	-10.897.652	10.788.472	4.827.882	2.148.950	3.811.640
	Reverse repurchase securities borrowing and similar agreements	0	0	0	0	0	0
	Other	1.219.142	-5.071	1.214.071	0	0	1.214.071
Financial assets at fair value through profit and loss - Non trading derivatives	Derivatives	12.130.297	-8.436.554	3.693.743	2.920.167	0	773.576
Available for sale	Reverse repurchase securities borrowing and similar agreements	0	0	0	0	0	0
	Other	0	0	0	0	0	0
Loans and advances to customers	Reverse repurchase securities borrowing and similar agreements	0	0	0	0	0	0
	Other	259.066	0	259.066	0	246.540	12.526
Other assets where netting is applied in the balance sheet							
Impact of enforceable master netting arrangements or similar arrangements	Derivatives	0	0	0	0	0	0
	other	0	0	0	0	0	0
Total financial assets		42.387.847	-19.339.277	23.048.570	11.212.615	3.573.809	8.262.146

Balance sheet line item	Financial Instrument				Related amounts not set off in the statement		
As at December 2013		Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statements of financial position	Financial Instruments	Cash and financial instruments received as collateral	Net amount
Amounts due to banks	Repurchase securities lending and similar agreements	0	0	0	0	0	0
	Other	6.526.207	0	6.526.207	3.464.566	2.042.689	1.018.952
Customer deposits and other funds on deposit	Repurchase securities lending and similar agreements	0	0	0	0	0	0
	Corporate deposit	0	0	0	0	0	0
	Other	41.661	0	41.661	0	41.661	0
Financial liabilities at fair value through profit and loss - Trading liabilities	Derivatives	21.365.395	-10.897.652	10.467.743	4.825.811	1.489.459	4.152.473
	Repurchase securities lending and similar agreements	0	0	0	0	0	0
	other	5081	-5071	10	0	0	10
Financial liabilities at fair value through profit and loss – Non trading derivatives	Derivatives	13.126.411	-8.436.554	4.689.857	2.922.237	0	1.767.620
Other liabilities where netting is applied in the balance sheet		0	0	0	0	0	0
Impact of enforceable master netting arrangements or similar arrangements	Derivatives	0	0	0	0	0	0
	Other	0	0	0	0	0	0
Total financial liabilities		41.064.755	-19.339.277	21.725.478	11.212.614	3.573.809	6.939.055

7.7.3.2 Off-balance sheet commitments

In the normal course of business, ING Belgium is a party to activities whose risks are not reflected in whole or part in the consolidated financial statements.

Guarantees relate to both credit and non-credit substitute guarantees. Credit-substitute guarantees are guarantees given by ING Belgium with respect to credits granted to customers by a third party. Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows.

The guarantees are generally of a short-term nature. In addition to the items included in contingent liabilities, ING Belgium has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government-required collective guarantee schemes which apply in different countries.

Irrevocable letters of credit mainly secure payments to third parties for foreign and domestic trade transactions of a customer in order to finance a shipment of goods. ING Belgium’s credit risk in these transactions is limited since they are collateralised by the commodity shipped and are of a short duration.

Other contingent liabilities mainly relate to acceptances of bills and are of a short-term nature.

Irrevocable facilities mainly constitute unused portions of irrevocable credit facilities granted to corporate clients. Many of these facilities are for a fixed duration and bear interest at a floating rate. ING Belgium’s credit risk in these transactions is limited. Most of the unused portion of irrevocable credit facilities is secured by customers’ assets or as counter-guarantees by the central governments and exempted bodies under the regulatory requirements. Irrevocable facilities also include commitments made to purchase securities to be issued by governments and private issuers.

Breakdown of off-balance sheet commitments		
In EUR thousands	**2013**	**2012**
Loan commitments		
given	28.869.200	32.703.760
received	-	-
Financial guarantees		
guarantees given	11.931.404	12.853.000
guarantees received	108.960.892	109.520.888
credit derivatives given	-	-
credit derivatives received	130.651	199.258
Other commitments		
given	-	-
received	55.399	69.235

ING Belgium leases assets to third parties under operating leases as lessor. No individual operating lease has terms and conditions that materially affect the amount, timing or certainty of the consolidated cash flows of the ING Belgium. The future minimum lease payments to be received under non-cancellable operating leases are as follows:

Future minimum lease payments by maturity			
In EUR thousands	**2013**	**2012**	**2011**
Within 1 year	739.569	719.213	678.032
More than 1 year but less then 5 years	1.661.943	1.644.888	1.536.114
More than 5 years	971.877	966.649	936.539
Total	**3.373.389**	**3.330.750**	**3.150.684**

7.7.3.3 Share-based payments

Through the Long-term Equity Ownership (Leo) plan, which has existed since 2004, ING Group NV offers stock options and performance shares to a number of staff members worldwide.

The main characteristics of Leo are as follows:

Stock options:

- gives the participant the right to buy a number of stock shares of ING Group NV equal to the number of options owned at a predefined exercise price;
- an exercise period of 10 years as from the date of receiving the option, which can be reduced to five years at the initiative of the participant;
- a vesting period of three years as from the date of receiving the option;
- exercise by means of delivering ING Group NV stock shares to the participant, immediately followed by the sale of them or by placing them in a brokerage account after payment of the exercise price.

Performance shares:

- offering of a number of performance shares on stock shares of ING Group NV, for which the final number of performance shares depends on the relative position of ING's Total Shareholder Return (TSR) within the TSR of ING Group's competitors;
- vested at the end of the three-year performance period;
- settlement made on the basis of a distribution election (sell all/retain all/sell some).

As of 2011, a new share-based payment plan has been introduced named 'Long-term Sustainable Performance Plan' (LSPP). This plan replaces the Leo plan. (Existing plans which are still running remain unchanged).

The main characteristics of the LSPP are as follows:

- a 100% share plan;
- vesting is dependent on the ING Group performance target;
- tiered vesting: 1/3 after first year, 1/3 after second year, 1/3 after third year.

Movements in stock options

in EUR	Options outstanding		Weighted average exercise price (in EUR)	
	2013	2012	2012	2012
Opening balance	**9.167.998**	**10.656.367**	**13,40**	**14,29**
Transfer	-93.008	-18.962	15,22	15,01
Granted	-	-	-	-
Exercised	-796.692	-110.132	2,90	2,90
Forfeited	-120.186	-192.894	11,03	11,92
Rights issue	-	-	-	-
Expired	-753.144	-1.166.381	11,07	22,59
Closing balance	**7.404.968**	**9.167.998**	**14,78**	**13,40**

Summary of stock options outstanding and exercisable

Range of exercise price in EUR	Options outstanding as at 31 December 2013	Weighted average remaining contractual life	Weighted average exercise price	Options excercisable as at 31 December 2013	Weighted average remaining contractual life	Weighted average exercise price
00.00 - 05.00	851.781	0,93	2,75	851.781	0,93	2,75
05.00 - 10.00	1.813.040	6,21	7,31	1.813.040	6,21	7,31
10.00 - 15.00	636.463	0,26	14,37	636.463	0,26	14,37
15.00 - 20.00	2.273.199	0,74	17,41	2.273.199	0,74	17,41
20.00 - 25.00	888.801	-0,71	24,14	888.801	-0,71	24,14
25.00 - 30.00	941.684	2,23	25,17	941.684	2,23	25,17
30.00 - 35.00	0	0	0	0	0	0
35.00 - 40.00	0	0	0	0	0	0

Share based payments

In EUR thousands	2013	2012
Expense arising from share based payments	7.141	10.977
Expense arising from cash transactions	-	-
- total nominal amout at the end of the year	-	-
- total intrinsic value at the end of the year	-	-

The fair value of granted options is recorded as a staff cost expense and is allocated over the vesting period of options. The fair value of those options is determined using a Monte Carlo simulation. This model takes into account the risk-free interest rate (2.02% - 4.62%), the estimated life of the options (5 to 9 years), the exercise price, the current price of the share (EUR 2.90 – EUR 26.05), the estimated volatility of the certificates of ING Group share (25.00% - 84.00%) and the estimated return on dividend (0.94% - 8.99%).

7.7.3.4 Related party disclosures

Balance sheet 2013

In EUR thousands	Parent	Subsidiaries	Associates	Joint ventures where the entity is a venturer	Other related parties
ASSETS	**24.570.781**	**124.741**	**1.409**	**0**	**389**
Loans and advances	11.389.538	122.781	1.363	0	389
Current accounts	1.503.701	0	1	0	389
Term loans	6.904.375	122.781	1.362	0	0
Finance leases	0	0	0	0	0
Consumer Credit	0	0	0	0	0
Mortgage loans	0	0	0	0	0
Other	2.981.462	0	0	0	0
Equity instruments	237.712	1.960	46	0	0
Trading securities	32.950	0	0	0	0
Investment securities	204.762	1.960	46	0	0
Other receivables	12.943.531	0	0	0	0
LIABILITIES	**23.489.402**	**689**	**13.994**	**0**	**4.013**
Deposits	6.271.714	689	13.994	0	4.013
Deposits	6.167.067	689	13.994	0	4.013
Other borrowings	104.647	0	0	0	0
Other financial liabilities					
Debt certificates	977.842	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Share based payments	0	0	0	0	0
Granted	0	0	0	0	0
Exercised	0	0	0	0	0
Other liabilities	16.239.846	0	0	0	0
Guarantees issued by the group	386.815	0	62	0	0
Guarantees received by the group	386.391	0	0	0	0
Provisions for doubtful debts	0	0	0	0	0

Income statement		
In EUR thousands	**2013**	**2012**
Expenses	**8.248.708**	**2.792.533**
Interest expenses	3.335.574	1.810.500
Foreign exchange	832.060	7.395
Fees and commissions	40.914	52.380
Rendering of services	0	0
Purchase of goods, property and other assets	0	0
Transfers	0	0
Other	4.040.160	922.258
Income	**9.181.444**	**1.534.757**
Interest Income	0	0
Foreign exchange	2.735.385	1.449.725
Fees and commissions	838.487	11.253
Dividend income	55.366	30.864
Receiving of services	0	0
Sales of goods, property and other assets	0	0
Transfers	0	0
Other	5.552.206	42.915
Expenses for current year in respect of bad or doubtful debts	**0**	

7.7.3.5 Legal proceedings

ING Belgium and its subsidiaries are involved in litigation proceedings in Belgium and in foreign jurisdictions involving claims by and against them which arise in the ordinary course of their business, including in connection with their activities as lenders, investors and taxpayers. In certain of such proceedings, 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 proceedings, management does not believe that their outcome will have a material adverse effect on ING Belgium's financial position or results of operation.

In Belgium, these legal proceedings include a pending dispute over an alleged responsibility of the bank in the framework of a third-party fraud, relating to fraudulent use of funds collected by this third party.

These proceedings also include several disputes over alleged responsibilities of the bank in the framework of so-called fraudulent cash company transaction schemes, some involving criminal court actions against some ING Belgium employees.

Judicial proceedings have also been instituted against ING Belgium by a group of investors led by a lawyer and a specialised company in this type of action regarding speculative investments in financial derivatives.

ING Belgium has been assigned to court by an IT services supplier with whom it had contracted for the outsourcing of the conservation and the execution of orders relating to financial instruments. The performance of this contract by the supplier being unsatisfactory, ING Belgium has ended this collaboration, in accordance with the provisions of contract between the parties, which is disputed by the supplier.

Record Bank, a subsidiary of ING Belgium, has received multiple summonses from clients of independent agents. These independent agents, without knowledge of Record Bank, have received funds from their clients to be invested with a third party with whom Record Bank has neither a link nor a business relationship. This third party has since gone bankrupt and the Public Prosecution has opened criminal proceedings.

In Luxembourg, ING Luxembourg is confronted with several disputes over an alleged responsibility of the bank in the framework of an ex-employee fraud in the area of fraudulent fund collection.

In Luxembourg, ING Luxembourg is involved in cases concerning so called fraudulent operations regarding cash companies. In the frame of those cases, the Bank (and an ex-employee) is (are) pursued before the criminal court in Belgium or summoned by the tax authorities before the civil court.

7.7.3.6 Auditor's remuneration

Ernst & Young Bedrijfsrevisoren BCVBA (Réviseurs d'entreprises SCCRL) is the auditor of ING Belgium. The table below shows audit and non-audit fees for the group for the year.

Auditor's remuneration	
In EUR thousands	**2013**
The auditors and related professional working partners	
1. Auditors' fees	2.222
1.1 Fees for the exercise of the audit mandate	1.833
1.2 Fees for extraordinary duties or special assignments executed for the group	389
a. Other control assignments	389
b. Tax advice assignments	
c. Other non-audit assignments	
2. Professional working partners' fees	534
2.1 Fees for the exercise of the audit mandate	400
2.2 Fees for extraordinary duties or special assignments executed for the group	134
a. Other control assignments	38
b. Tax advice assignments	96
c. Other non-audit assignments	

All fees were expressly approved by the Audit Committee of ING Belgium SA/NV and the Audit Committee of ING Group NV (Amsterdam).

7.7.4 Remuneration of the members of the Board of Directors and Executive Committee

7.7.4.1 Breakdown of remuneration paid to members of the Board of Directors

The Annual General Meeting held on 25 April 2011 fixed the remuneration of each member of the Board of Directors at EUR 35,000.

Non-executive board members are not entitled to any termination indemnity.

The total remuneration allocated to the serving Directors of the Board for 2013 was EUR 620.000.

Total remuneration allocated as pension to honorary directors in 2013 amounted to EUR 75.225.

7.7.4.2 Loans and advances to members of the Board of Directors

Loans and advances to members of the Board of Directors		
In EUR thousands	**2013**	**2012**
Loans and advances	721	435

The loans and advances granted to the members of the Board of Directors are at market conditions.

7.7.4.3 Breakdown of remuneration paid to members of the Executive Committee

The recent changes to the rules in force in the financial sector have resulted in the adoption of new remuneration policies, applicable from 1 January 2011.

Total compensation for members of the Executive Committee has since then been reviewed and now consists of two main components:

- the base salary, which represents the total guaranteed annual income;
- variable remuneration, of which payment takes place in two portions: an upfront portion and a deferred portion.
    - the upfront portion is half cash and half ING Group shares or similar financial instruments. The latter half must be retained for period of one year;
    - the deferred portion with deferral period of three years applying a tiered vesting schedule. Each annual allocation is half cash and half ING Group shares or similar financial instruments. The latter half must, however, be held for a period of one year.

Variable remuneration is awarded under the condition precedent of the non-occurrence of any of the following circumstances: misbehaviour or serious error, malfeasance, fraud, significant failure of risk management, significant changes in the economic and regulatory Capital Base, specific conduct which has led to material re-statement of the Group's annual account or significant harm.

In addition to the base salary and incentive plans, the members of the Executive Committee also enjoy benefits similar to those granted to most other employees of ING Belgium, such as medical insurance, death insurance, use of company cars and representation allowances.

Breakdown of remuneration paid to members of the Executive Committee		
In EUR thousands	**2013**	**2012**
Short term employee benefits	3.063	3.293
Post employment benefits	638	664
Other long term benefits	367	345
Termination benefits	0	-
Share based payments	868	862
	4.936	**5.164**

7.7.4.4 Pension scheme for members of the Executive Committee

The pensions of the (non-expatriate) members of the Executive Committee are based on a defined-contribution group insurance plan, insured through a contract with AXA Belgium SA/NV.

7.7.4.5 Other principal contractual stipulations regarding remuneration of members of the Executive Committee

If an individual's function as a member of the Executive Committee is terminated otherwise than through retirement, dismissal or serious misconduct, remuneration will be paid to equal 12 months of the base salary In case of termination for other reason than performance, the Board of Directors can decide to extend the remuneration to maximum 18 months (base salary and variable).

In case of long-term illness, the Executive Committee member will receive 100% of his last base salary during the first 12 months, 90% during the next 12 months and 50% afterwards.

No termination allowance or long-term illness allowances were paid in 2013.

8 Statutory Auditor's report to the general meeting of shareholders of ING Belgium NV/SA on the consolidated financial statements of the year ended 31 December 2013

The statutory Auditor's report relates to chapter 3 'Report of the Board of Directors on the Consolidated Accounts of ING Belgium SA/NV' and chapter 7 'Consolidated Annual Accounts'.

Free Translation from the Dutch and French originals.

Building a better
working world

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Statutory auditor's report to the general meeting of shareholders of ING Belgium nv/sa as of and for the year ended 31 December 2013

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements (the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements as further defined below. The Consolidated Financial Statements include the consolidated statement of financial position as of 31 December 2013, the consolidated statement of comprehensive income (consolidated income statement and consolidated statement of other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2013 and the notes.

Report on the Consolidated Financial Statements - unqualified opinion

We have audited the Consolidated Financial Statements of ING Belgium nv/sa ("the Company") and its subsidiaries (collectively referred to as "the Group") as of and for the year ended 31 December 2013. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The total of the consolidated statement of financial position amounts to € 143.470.186 thousand euro and the consolidated statement of comprehensive income shows a profit for the year, share of the Group, of €977.679 thousand euro.

Responsibility of the board of directors for the preparation of the Consolidated Financial Statements

The board of directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union. The board of directors is also responsible for the implementation of internal controls, which it considers necessary for the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISA"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from management and the Company's officials the explanations and information necessary to perform our audit and we believe that the resulting audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Company give a true and fair view of the Group's consolidated financial position as of 31 December 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the report of the board of directors on the Consolidated Financial Statements in accordance with articles 96 and 119 of the Company code (*Wetboek van vennootschappen/Code des sociétés*) as well as the compliance of these Consolidated Financial Statements with the Company code.

As part of our audit mandate and in accordance with the applicable supplementary standard issued by the Belgian Institute of Registered Auditors (*Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*) as published in the Belgian State Gazette on 28th August 2013 (the "Supplementary Standard"), it is our responsibility to perform certain procedures, in all material respects, on the compliance of certain legal and regulatory requirements, as defined in the Supplementary Standard. As a result of these procedures, we provide the following additional statement which does not modify our opinion on the Consolidated Financial Statements:

- The report of the board of directors on the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 9 April 2014

Ernst & Young Réviseurs d'Entreprises sccrl
Statutory auditor
represented by

Jean-François Hubin
Partner

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