Annual report

2010

ING DiBa

Die Bank und Du

ING-DiBa at a glance

		2010	2009	Change in %
Customers				
Total customers		7,146,292	6,872,823	4
in Germany		6,675,753	6,472,376	3
in Austria		470,539	400,447	18
Customer assets segment				
Savings deposits				
Number of accounts		6,138,407	5,989,660	2
Customer deposits	(€ m)	80,445	73,885	9
Securities business				
Number of securities accounts		833,188	798,441	4
Total securities account volume	(€ m)	17,418	13,796	26
of which fund volume	(€ m)	6,396	5,273	21
Orders executed		5,858,737	4,801,699	22
Current accounts				
Number of accounts		729,782	602,291	21
Customer deposits	(€ m)	1,320	989	33
Debit volume	(€ m)	160	146	10
Customer loans segment				
Mortgage loans				
Number of accounts		605,018	534,164	13
Customer deposits	(€ m)	51,533	47,164	9
Confirmed new business	(€ m)	7,972	6,122	30
Consumer loans				
Number of accounts		330,015	308,318	7
Customer deposits	(€ m)	2,679	2,414	11
Earnings figures				
Net interest income	(€ m)	1,128	815	38
Risk provision	(€ m)	127	98	30
Net fee and commission income	(€ m)	43	46	-7
General and administrative expenses	(€ m)	543	502	8
Earnings before tax	(€ m)	494	280	76
Financial position				
Total assets	(€ m)	96,333	87,753	10
Customer deposits	(€ m)	82,223	75,279	9
Loans and advances to customers	(€ m)	62,694	56,090	9
Equity	(€ m)	4,831	4,499	7
Retail balances	(€ m)	153,556	138,394	11
Relative ratios				
Cost-income ratio		47	57	– 10 Pp,
RAROC (Risk Adjusted Return on Capital)		26	17	9 Pp,
Personnel				
Employees		2,696	2,750	– 2
of which trainees		72	80	– 10

ING-DiBa and the new DiBaDu brand image

Our new "DiBaDu: The Bank and You" brand image highlights not only the services we offer but also the soft factors that appeal to our customers. These factors include ING-DiBa's unique identity, which is more than mere interest rates and lending conditions; it is our ability to show our customers that they've made the right decision banking with us. Our new brand image is designed to project these strengths outward and to win over even more ING-DiBa customers.

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Roland Boekhout

CEO of ING-DiBa AG

“Customers want transparency and simplicity.”

1.0 Letter to the stakeholders

Dear stakeholders,

On the following pages, we are pleased to report once again on an extremely successful fiscal year. Despite the enduring impact that the international financial and economic crisis has had on the markets, ING-DiBa posted a new record consolidated earnings before tax of EUR 494 million. This figure is 76 percent higher than in 2009, representing a return on equity of 10.2 percent. Our income showed particularly strong growth. Net interest and commission income rose from EUR 861 million in 2009 to EUR 1.17 billion in fiscal year 2010. This result enabled us to further increase our equity, which amounted to approximately EUR 4.8 billion as of December 31, 2010. Even given the generally low interest rates, we again succeeded in increasing the volume of savings deposits held with us. With more than EUR 50 billion in deposits, our “Extra” accounts featuring daily accessibility have become the highest-volume product on the German retail customer market.

These are but a few highlights from the reporting year. We achieved these successes in spite of the ever-growing competition for retail customer business. What were some of the reasons for this encouraging performance?

Employees are the key to success

We firmly believe that motivated, committed employees are the key to customer satisfaction. How can you expect customers to have a positive experience if unmotivated employees merely come to work to “punch the clock”? At ING-DiBa, we are accustomed to a completely different working atmosphere. It drives our communication with customers, shapes employees' interactions with each other and guides the realization of our corporate philosophy which is reflected in our new, high-profile brand image. ING-DiBa's objective is to be a bank whose products are understandable and whose services are provided in a competent, friendly and prompt manner. That's why I was so pleased when in a recent survey, 87 percent of our employees called ING-DiBa a great place to work.

In this annual report, we would like to introduce you to a few of our employees who work in very different areas of our Bank but share the same goal: to give our customers the sense that they are in good hands at ING-DiBa.

In my view, the high degree of employee satisfaction with customer communications is also due to the fact that we do not impose sales quotas. We do not want to offer the wrong incentives to our customer service experts which could lead to a conflict of interest. For this reason, ING-DiBa does not pay its employees commissions on the sale of certain products. Our customer service representatives receive a fixed salary. This is because we believe that sales quotas and commissions are not compatible with true customer orientation. Moreover, we have seen in recent months and years that giving poor advice can not only considerably damage a bank's reputation, but in light of recent court rulings, can even result in significant economic losses.

ING-DiBa benefits from well-informed customers

Another of our fundamental principles is that we value well-informed customers who make financial decisions on their own. Customers have a real alternative to commission-driven and fee-driven advice: namely, seeking independent information and taking care of matters themselves. Commission-based advice is flawed to the core since a bank's profit motive can hardly be reconciled with a customer's interests. Lawmakers have recognized this and have initiated statutory measures designed to protect customers from losses incurred as a result of inappropriate advice.

ING-DiBa values well-informed customers who can make financial decisions on their own.

ING-DiBa therefore intensified its consumer education activities during the reporting year. For instance, we launched our new consumer portal, finanzversteher.de. Anyone who wants to manage their finances on their own will find readily understandable information there, as well as investment and retirement savings checklists and tools in particular. Our approach is based on specific life situations where we ask the financial questions that matter. We have taken great care to structure this consumer portal in a product-neutral manner. Our aim is to create a credible guide for customers and not some Trojan horse that only knows a single answer to every question: one of ING-DiBa's own products. We have since expanded the consumer portal to include a blog and links to social media channels such as Facebook and Twitter to enable us to better communicate with users. The potential that social media sites have to offer a direct bank that values the quality of dialogue with its customers is highly appealing. Put simply, Twitter, Facebook & Co. can turn “target groups” into friends.

Ultimately, finanzversteher.de is a compelling incarnation of our business model: We are a bank that wants savvy customers. That's why we make sure that our customers have a range of opportunities to educate themselves.

The path to customer education is not merely founded on a wide scope of informational material and clear language. We believe that a high degree of transparency is just as indispensable for processes as it is for products. As a result, ING-DiBa currently only has ten products on offer: five savings products, installment loans, revolving credit, private mortgages, current accounts and savings accounts. These products generated EUR 154 billion in retail balances in 2010. This figure was just under EUR 9 billion ten years ago, when we had 20 products in our portfolio. This is proof that less is often more.

The finanzversteher.de consumer portal is a compelling incarnation of our business model.

What do consumers want in a bank? Roger Peverelli and Reggy de Feniks provide interesting answers to this question in their book “Reinventing Financial Services – What consumers expect from future banks and insurers”. This highly readable book confirms our business model. The book demonstrates that customers want transparency and simplicity – rather than ambiguity and complexity.

If this trend continues to strengthen – and we expect it will – ING-DiBa is excellently positioned as a bank of the future.

I would like to take this opportunity to thank our customers and business partners for their confidence, as well as our employees for their commitment and motivation. Together, we can face the current fiscal year with confidence.

Best regards,

Roland Boekhout
CEO of ING-DiBa AG

From left to right:
Bas Brouwers, Herbert Willius, Katharina Herrmann, Martin Krebs, Bernd Geilen and Roland Boekhout

The Management Board of ING-DiBa AG

1.1 The Management Board

Roland Boekhout
CEO

Roland Boekhout began his professional career with the ING Group in 1991. Prior to becoming CEO of ING Commercial Banking Central and Eastern Europe, he served in a variety of executive roles in New York, Warsaw and Mexico. He has been CEO of ING-DiBa since October 2010 and is responsible for Corporate Communications, HR, Audit Services and Board Office/Legal. In addition, he is a member of the ING Group's Leadership Council.

Bas Brouwers
Member of the Management Board

Bas Brouwers began his professional career at KPMG in Utrecht before switching to the ING Group in 1998. He served in various positions at ING Lease and ING Direct in Amsterdam before moving to Frankfurt am Main as a general manager of ING-DiBa. He has been a member of the Management Board of ING-DiBa since 2008, responsible for Finance and Customer Service.

Bernd Geilen
Member of the Management Board

Bernd Geilen began his career with DSL Bank in 1992 before switching to Postbank. Starting in 2000, he worked for Entrium Direct Bankers and was responsible for the integration of several departments during the 2003 merger with ING-DiBa. He then took on several functions before being appointed as CEO of ING Direct Italia in 2007. He has been an ING-DiBa Management Board member since October 2010, and is responsible for Risk Management, Compliance and Money Laundering and Consumer Loans.

Katharina Herrmann
Member of the Management Board

Katharina Herrmann began her career at Nassauische Sparkasse, worked at Commerzbank AG, and then joined ING-DiBa in 1998. She was head of several departments and divisions before being named CEO of ING-DiBa Direktbank Austria in 2007. She has been an ING-DiBa Management Board member in Germany since January 2011 and is responsible for Marketing, Mortgage Sales, Product and Target Group Management and ING-DiBa Direktbank Austria.

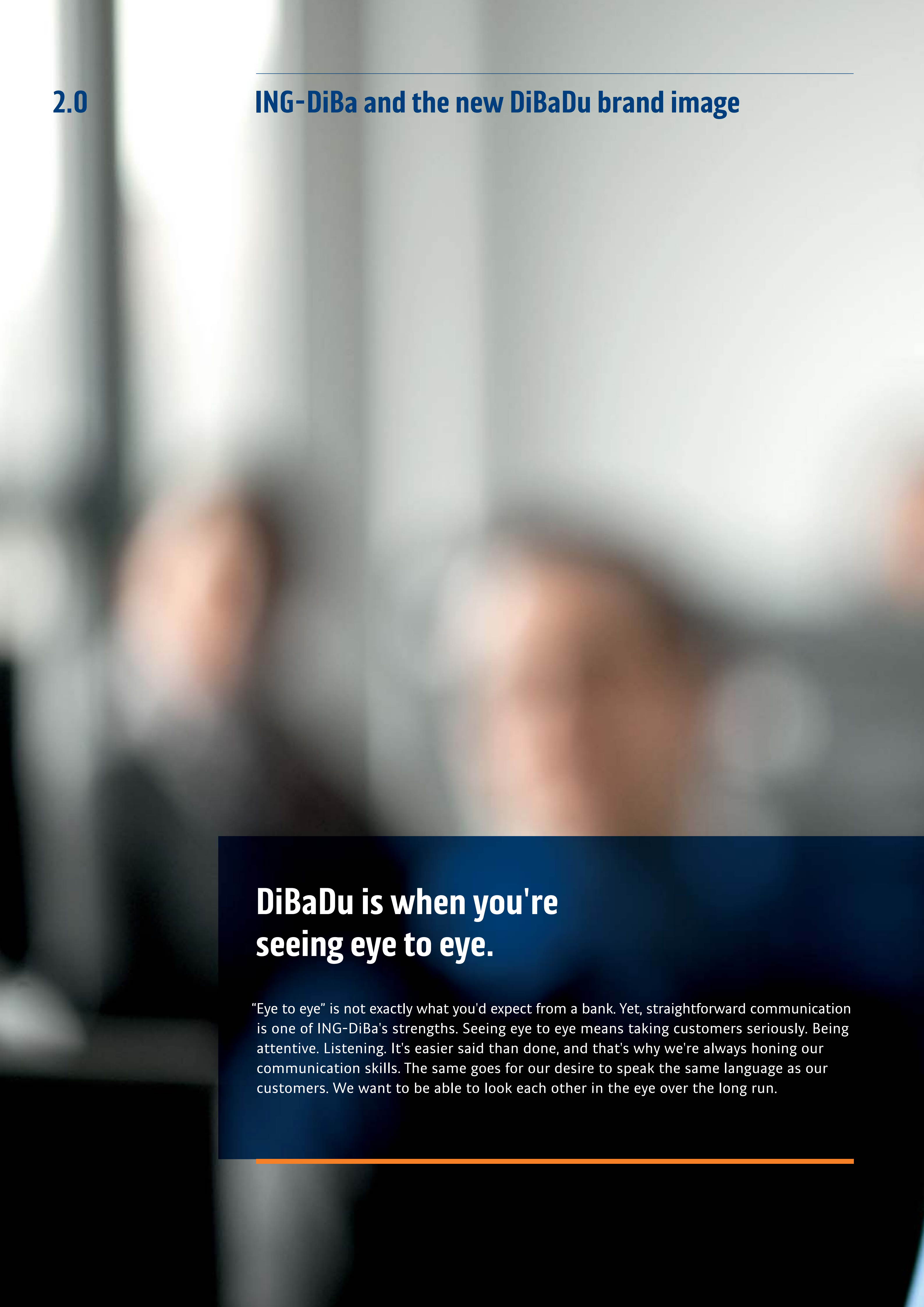
Martin Krebs
Member of the Management Board

Martin Krebs began his career at Goldman Sachs in London. In 2002, he worked for JP Morgan in Frankfurt am Main, where he advised ING-DiBa on its acquisition of Entrium. In 2003, he came to ING-DiBa as a general manager. In 2006, he was appointed to the Management Board. He is responsible for Securities, Treasury, Total Quality Management, Purchasing/Facility Management and Logistics.

Herbert Willius
Member of the Management Board

Herbert Willius' career began at a Raiffeisenbank. Beginning in 1979, he served in various executive positions for the former BfG Bank before coming to ING-DiBa in 1989, where he was responsible for the integration of GiroTel and Entrium into ING-DiBa. He was appointed to the Management Board in 2002 and has been responsible for IT and Project Management, Mortgages and the Service Center since then. In addition, he is a member of the ING Group's Management Council.

ING-DiBa and the new DiBaDu brand image



DiBaDu is when you're seeing eye to eye.

"Eye to eye" is not exactly what you'd expect from a bank. Yet, straightforward communication is one of ING-DiBa's strengths. Seeing eye to eye means taking customers seriously. Being attentive. Listening. It's easier said than done, and that's why we're always honing our communication skills. The same goes for our desire to speak the same language as our customers. We want to be able to look each other in the eye over the long run.

"Dialogue between equals is the cornerstone of a productive exchange."

Mareike Onnasch,
Customer service trainer

Mareike Onnasch is a trainer. Eight years ago, when she was still a student, she began working at the Bank's customer service center. Today, her job is to educate her colleagues in our customer service call center on a range of specialist topics. She also coaches them on their conversation skills. "For me, 'seeing eye to eye' means letting my colleagues know in training sessions and coaching events that although we play different roles, we are all working towards the same goal."

Customer service in focus

ING-DiBa places a high value on regular employee training sessions.

ING-DiBa places a high value on regular employee training sessions, particularly for those employees who interact with customers. In addition to multi-day group training sessions covering specialist material, in which team leaders are also invited to participate, we also have a flexible coaching schedule. For example, together with Onnasch, employees review recorded customer calls and analyze their colleagues' strengths and weaknesses. Moreover, mutual feedback from fellow customer service representatives is used as an analytical tool in group coaching events. Every customer service employee attends several coaching events each year. Onnasch: "Of course, these coaching events focus on optimizing communication with customers. But we also talk about the Bank's corporate culture and our shared vision of customer service."

Seeing eye to eye

For Mareike Onnasch, who will soon be going on maternity leave, the key to her job is treating her colleagues with respect. "I truly believe," she says, "that the way in which I conduct my training and coaching events can influence the way customer service is provided. By treating my colleagues with respect, I can set an example for respectful customer service." She has a clear vision of how this respect should manifest itself: "First, you have to be able to listen. Be observant. Keep an open mind. Give the person you're speaking to your undivided attention." If you follow these basic rules, you've set the cornerstone of a productive exchange. In addition, Onnasch trains her colleagues on techniques that help to structure dialogue efficiently. It is important to take a moment now and again during the conversation to make sure that everybody is still on the same page. If there are misunderstandings, they can be clarified together. A more pleasant tone lends a personal touch to the conversation. And it is important to keep asking: What exactly does the customer want? Are we talking about their ideas or mine? Respect means knowing: I am capable of recognizing the customer's wishes and using this as the basis for my recommendations to them. It might be another product they will find useful or information which will help clarify things for them.

Learning to handle conflict situations

Listening closely and disassociating oneself play a crucial role in handling conflict situations.

Listening closely and disassociating oneself from one's own viewpoints play a crucial role in handling conflict situations. This is also the subject of training sessions and coaching events. Says Onnasch: "One typical situation is when an angry customer calls. We work on our responses to these kinds of situations to train employees how to avoid getting caught up in the anger, responding irritably and losing their distance." For Onnasch, the key is having the employee always consciously lead the conversation. Every reaction must be grounded in transparency. "You cannot resolve a conflict situation until you have truly understood what the customer's concern is and know how to give a competent response to an issue." Respect is indispensable in every case. Onnasch: "The customer gives me the opportunity to demonstrate my competence and to help them. In return, I offer them the opportunity to address their grievance to a person and to have their problem solved. A fair deal which I truly enjoy."

For Jörg Baierlein, seeing eye to eye with customers means not bewildering them with Anglicisms and jargon, but instead speaking their language. Baierlein has been with ING-DiBa for 11 years and is head of the Marketing Services editorial staff in Nuremberg. He describes his job as a liaison between the specialist departments and product management, responsible for coordinating the optimal wording of letters and e-mails. He also makes sure the texts are properly stored in the system.

Baierlein: "Although of course we must work with boilerplate and standard phrasing, we want to avoid giving the customer the impression that they are always receiving form letters." ING-DiBa's communications should convey respect, be written in plain language and use clear and concise phrasing. In order to guarantee quality, texts are constantly reviewed for these basic criteria. For Baierlein, who completed his training at a Sparkasse, virtues such as simplicity and transparency offer clear competitive advantages. Baierlein asks: "How can I expect a customer to see eye to eye with me if I send them a letter that might as well have come from the tax office?"

Jörg Baierlein,
Werbung / Kommunikation

DiBaDu is when you can count on honest advice.

Honesty means not always saying “yes”. That's because sometimes a “no” can also point customers in the right direction. Customer service often begins with an honest “no”. The very same also applies to seemingly objective online loan and finance calculators: they can also be honest – or not!

"It's great to take that first step with people."

Elisabeth Luedecke,
Direct Mortgage Sales

"It's important to properly understand customer needs at first contact."

"I represent ING-DiBa", says Elisabeth Luedecke. She is a direct mortgage sales consultant. What is that exactly? Luedecke: "I am the first point of contact for customers who call us or leave an online inquiry. You might also say I open doors for people." Luedecke is a trained bank business management assistant who joined ING-DiBa as a temp. Her clientele consists of direct construction mortgage loan customers looking into advertised offers, and not the agents who comprise the Bank's sales channel. Luedecke's job is to talk to potential clients and find out what it is they are looking for. This is because, strictly speaking, she serves two different groups: potential customers, and colleagues who would provide specialized guidance down the line. Luedecke: "On the one hand, the goal is to make things go as quickly and smoothly as possible for the customers; on the other, I have to try and spare our specialists unnecessary work by only sending them the 'right' customers." For Luedecke, honest advice means above all telling customers directly whether or not the Bank is right for them. "You shouldn't be afraid to say 'no'."

Competent, transparent and honest advice

Our mortgage loan approval conditions are transparent and unambiguous. Moreover, all of the Bank's customers are on equal footing: "The same conditions apply to all. However, if for example, a customer's equity is insufficient, we have to pass." This is why the first conversation is something like a preliminary test. Experience has shown that the number of "rate shoppers" looking for the lowest interest rate is low. During this first conversation, most customers usually want to get a feeling whether they can trust ING-DiBa and whether they are in good hands with us. That's why Luedecke considers it important to put her best foot forward during this first contact, "to show prospective customers that I take them seriously and am trying to understand what they want. Of course they can ask technical questions during this first conversation that sometimes go into great detail. But my experience has been that customers have no problem with me not giving them answers to all of their questions right away if I tell them I will look into them. They accept this as part of an earnest dialogue."

In addition, Luedecke has other options if the prospective customer doesn't fit the profile exactly. For example, Germany's largest construction loan arranger, Interhyp, is an ideal partner. Interhyp can select the right offer for the customer from some 250 banks. At any rate, Luedecke tries to offer customers further options, even if these do not involve ING-DiBa. That's also honest advice.

The emotional side of mortgage lending

ING-DiBa teams up with the right partners to satisfy its customers.

Luedecke truly enjoys her job. “It's great to take that first step with people”, she says, “when that step leads to a home of their own. It's a very emotional thing. For example, women always already know how they're going to decorate their new home. At any rate, I find it highly rewarding to help customers on their way. And I'm always pleased to receive an invitation to a housewarming or to see three new houses on a street and think: This all started with a conversation with me!”

Christopher Mai has seen a lot in his 12 years with ING-DiBa – including the dynamic rise of the Internet. He works in the Online Marketing department, where he is responsible for the interactive online calculator which customers use to estimate their mortgages. His work also plays a part in leading prospective customers to contact Elisabeth Luedecke. Online calculators only appear to be comparable. According to Mai: “These tools give most people the impression of objectivity. Of course this is not always the case. An online calculator used to estimate mortgages is programmed in a certain way.”

For Mai, there are two main aspects to online calculators. For one, the tool should be as simple, intuitive and user-friendly as possible. Mai and his colleagues at IT are constantly working together to accomplish this, and also draw on the expertise of the specialist departments and directly from customers through online market research. Nothing trumps user feedback. Yet Mai considers another aspect even more important: “Calculators can also offer honest or dishonest advice. We don't want to push our customers to the edge of their financial resources in order to earn as much off of them as possible. We want customers who are comfortable with their financial situation. I don't imagine that this philosophy puts us among the majority of lenders on the market.”

Christopher Mai,
Online Marketing

DiBaDu is when things are fast and easy.

What makes a website fast? When it loads quickly, or when customers intuitively understand its content? What makes a news site easy to use? When it provides every current article, or when customers can find exactly what they were looking for? The only fast and easy bank is the bank that learns from its customers what "fast and easy" is.


ING DiBa

“Customers have a right to ask questions, and to get clear answers.”

Ronny Förster,
Securities

If you're interested in the stock markets and securities, Ronny Förster from the Securities department's Business Development section is the man to turn to. He and his colleagues keep on top of new developments to see if they can't leverage them to make ING-DiBa's securities business run even more smoothly and efficiently. Moreover, things are in constant flux, necessitating quick reactions. Take for example the stock ticker pages that contain all the prices, charts and market data, which need to be verified on a regular basis for timeliness and accuracy.

Clear, intuitive and bug-free

“We optimize our workflows based on feedback from our customers.”

The Bank is constantly working to optimize the form, utility and content of data it provides to its customers. Förster says, “We want to accommodate our customers in the best way possible. We can do that by including multi-media features, such as videos or other interactive elements in our sites, or by having a simpler, easier-to-read overview of news articles. We take our inspiration from studies and surveys, as well as customer feedback.” Complaints and suggestions from customers, customer service colleagues and project managers are collected and analyzed on a weekly basis. This enables ING-DiBa to react quickly. Yesterday's latest trend can come across as outmoded today. The goal is not always to offer the hippest, newest functions. The ticker pages have to be clear, intuitive and bug-free – in other words: easy to use. This is why it is particularly important to coordinate efforts with the colleagues in the Online Marketing department. Imagine driving a high-performance racecar through town and stalling out at 30 kph. We want our ticker pages to perform like a fine-tuned muscle car while still being able to handle everyday traffic.

Simplicity and clarity foster confidence

Förster considers clarity to be a key criterion for information quality. “We and the rest of the banking sector still expect far too much of our customers. We are always receiving requests from customers who don't understand where certain figures or information come from. And I think these customers have a right to ask these questions and to receive well-founded answers. This is why we try to do a better job at answering questions and explaining these issues up-front: simply, clearly and in a way that leaves customers feeling confident.” This usually gives them what they need to make good decisions.

Another good example of constant change can be found in mobile banking and brokerage. This market has shown dynamic growth in recent years. As the Apple iPhone and other smart phones available from other providers and platforms become ever more prevalent, customers are

Customer demand for mobile brokerage is growing, and ING-DiBa is working to meet that demand.

increasingly demanding to be able to conduct securities transactions while on the go. Förster has teamed up with Online Marketing and IT to find the best way to provide mobile brokerage services.

Förster, who completed his training as a banking business management assistant at a Sparkasse, appreciates ING-DiBa's flexible, customer-oriented culture. “I think it's a big advantage not being entirely sales-driven. This allows us to concentrate on developing attractive, understandable and easy-to-locate products for our customers. That's what real quality is about.”

Martina Veselá from Online Marketing frequently works with her colleagues in Business Development. Her job is to make sure that the Bank's online features and user-friendliness continue to evolve. The Bank's style guide, which defines the parameters of ING-DiBa's online presence, serves as a benchmark for her work. She also consults regular customer surveys to see where there is room for improvement. Says Veselá: “I think it's fascinating to see how a few simple modifications can visibly enhance user-friendliness. For example, as soon as we moved the withholding tax exemption form and change-of-address form to the top of our homepage, we saw a marked increase in customers using these services.”

For Veselá, who has been with ING-DiBa for seven years, the maxim “fast and easy” is a big advantage for the Bank. “Take for example the overdraft facility we offer our current account customers. Do you know of any other bank that lets its customers change their limit online by themselves? This underscores how we see our customers: responsible and independent.” The constant optimization of ING-DiBa's online banking service is a matter of course for Veselá: all the minor changes and improvements add up to make excellent customer service and a well-designed website possible.

Martina Veselá,
Online Marketing

DiBaDu is when you understand everything.

Our customers don't need to know how Dirk Nowitzki lands a slam dunk. But they should understand why ING-DiBa's products are the right choice. And it shouldn't have to take long, drawn-out explanations to show them something they can figure out by themselves. For example, they can go to finanzversteher.de and find out that finance is a lot easier than some banks might lead them to believe.


finanzversteher.de
>was steckt dahinter?
Geldanlage einfach gemacht
Philosophie des Portals
Grundlagen der Geldanlage
Verstehen und Entscheiden
Aktuelle Themen
Planen
Vergleichen
Analysieren
Impressum
Anregungen
Medienecho
Blog
Sitemap

"A customer who knows it all is not our enemy."

Thomas Bieler,
Corporate Communications

"ING-DiBa wants customers who can educate themselves and make decisions on their own."

Thomas Bieler is a banking expert. He has followed developments on the German retail customer market closely for over 20 years – especially from the customer's perspective. This was his job for many years as a financial expert for a North Rhine-Westphalian consumer protection bureau. Today he works for ING-DiBa. Although he has switched jobs, he continues to keep his eye on the market. But now he is on the lookout for opportunities for a customer-friendly bank such as ING-DiBa to set itself apart from its competition. The finanzversteher.de consumer portal embodies his vision of serious and modern banking like no other project. Bieler: "There are two ways of looking at it: one sees the consumer and customer as someone who needs to be advised, guided and steered in the right direction. The other sees somebody who is capable of making their own reasonable decisions based on the right information. I can definitely identify with the latter vision."

His decision to come to work for a bank was long in the making. He often came into contact with ING-DiBa over the years, in which he expressed his views of what customers and regulators expected of consumer-friendly banking. He was impressed with the consistency and success with which ING-DiBa was able to impose its simple and transparent business model on the market. "Particularly with its Extra account, ING-DiBa broke with the conventional, customer-allergic market structures and ushered in a much more positive environment for savings account holders in Germany," said Bieler.

He was also impressed by the Bank's sustained commitment to consumer journalism, manifested by the 15-year history of the Helmut Schmidt Award for Journalism and the University of Mainz Summer Academy for Consumer Journalists. "ING-DiBa understands that critical consumer journalism is not a burden but rather an opportunity to harness quality reporting and benchmark tests to bring greater transparency to an often intransparent market." The Bank therefore does not consider a customer who "knows it all" as the enemy but rather a partner with whom it can have a fruitful relationship.

As a direct bank, ING-DiBa benefits when customers are independent and do not require assistance from a teller. In order to increase their numbers, the Bank has made a large amount of information and tools available free of charge at finanzversteher.de, which consumers can use to gain greater insight into finance. The portal is the most ambitious project to date aimed at using an accessible informational and communications tool to convey the Bank's philosophy. The Bank's instruction leaflets have been highly successful in the past. The Bank began distributing these leaflets in the fall of 2009 to provide quick and clear information on the investment products it offers.

The finanzversteher.de finance portal offers a wide range of information and tools to consumers.

Bieler: "finanzversteher.de is our alternative to providing controversial commission-based advising. The portal is completely ad-free and offers readily understandable, concise information."

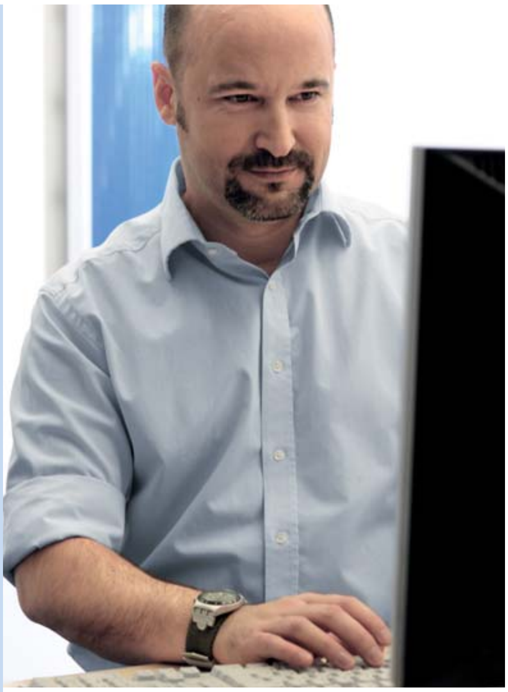
It explains banking basics as well as key financial principles such as the relationship between risk and return. This enables many consumers to take charge of their finances. "You don't need to be a financial expert to safely invest EUR 10,000 for two years and you don't absolutely need to seek personal advice," says Bieler. "This is often only necessary because the products on offer are too complex."

Through finanzversteher.de, ING-DiBa gives its customers and prospective customers the tools they need to gain greater independence in financial matters. Anyone desiring personalized advice will also find it there in the form of tips and checklists aimed at preparing them for a conversation with a customer representative. Their newly acquired understanding of finance will put them in a position to "get a feel for" their advisor and the recommendations he or she makes.

Gérard Bodenseh sees ING-DiBa's new ad campaign as a key step towards the customer. "I think the DiBaDu campaign is based on authentic day-to-day situations. This fits perfectly with our Bank." Bodenseh, who holds a degree in design, has been with DiBa for four years and is responsible for traditional outdoor advertising. His task is to portray the concepts of clarity, transparency and simplicity through images. "Our aim is to convey the Bank's brand value propositions," says Bodenseh. "We use plain language that is open, friendly and factual. Our advertising should be easily – intuitively, even – understood while at the same time transmitting our core messages."

For the first time, the ads portray the customer – everyday people in everyday settings: driving their car, in a hotel, at the beach. Even Dirk Nowitzki, the Bank's long-time spokesman, leaves his work environment – the basketball court – and becomes a private person. Bodenseh adds, "We filmed the commercial with Dirk Nowitzki in public. The more authentic, the better. Our pledge remains the same. We remain true to ourselves as we change, yet we grow ever closer to our customers."

Gérard Bodenseh,
Marketing / Communication



DiBaDu is when you can count on full service.

"Our customers receive full service when they get what they want," says Johanna Biedinger from the Marketing/Communication department. "And it's often the little things that mean a lot." But how do you find out what these little things are? At ING-DiBa, full service means full attention to customers!

"When customers don't notice our processes, that means everything is working."

Denise-Barbara Kutschka,
Product Management

Of course Denise-Barbara Kutschka can "rattle off" all the advantages to ING-DiBa's current accounts. They're free, they've won several awards for user-friendliness, they allow you to withdraw cash for free using your VISA Direct card, et cetera. But this isn't what drives and inspires this particular product manager. "I'm no stickler, but I have noticed I can get wrapped up in the little details." Maybe "perfection" is too strong a word, but it's important for her that all the i's are dotted and all the t's are crossed. Her work on current accounts will never be finished, even if they happen to be among the best on the market. Maybe because: "The more you work on something, the more detailed it becomes. You find things that need improving or simplified, or you come up with a more appealing look."

User-friendliness and portable processes are our goal in Product Management.

Complex processes behind simple products

Behind a product like the current account lies a complex process and a large number of services which customers don't even notice – nor are they supposed to notice if everything is working properly! Denise-Barbara Kutschka monitors these processes and services: product information, applications, standard terms and conditions, training sessions for customer service colleagues. Another of the Bank's strengths is that it makes the effort to ensure that these processes are devised in such a way that they can also be adopted by other divisions of the Bank. Similarly to the automotive industry, where modules are designed to be used in different models, or even different in makes altogether.

A job you can like

"If you ask me what 'full service' means," said Kutschka, "these behind-the-scenes processes come to mind. If they didn't work, the Bank wouldn't be able to keep the promises it makes regarding its current account." Denise-Barbara Kutschka has been with ING-DiBa for five years. She spent a semester as an intern at the Bank while studying media management – and has never left. She admits: "I was somewhat biased. My mother also worked at ING-DiBa. At the time, she was one of the few people I knew who liked going to work. That's something I can identify with now." She found that she really enjoys putting herself in the customers' shoes and asking herself: how does this sit with a customer? "And if I'm able to improve or simplify some detail, I'm really pleased." That requires understanding every detail. "Knowing what you're talking about is a crucial factor for being able to actually provide a service."

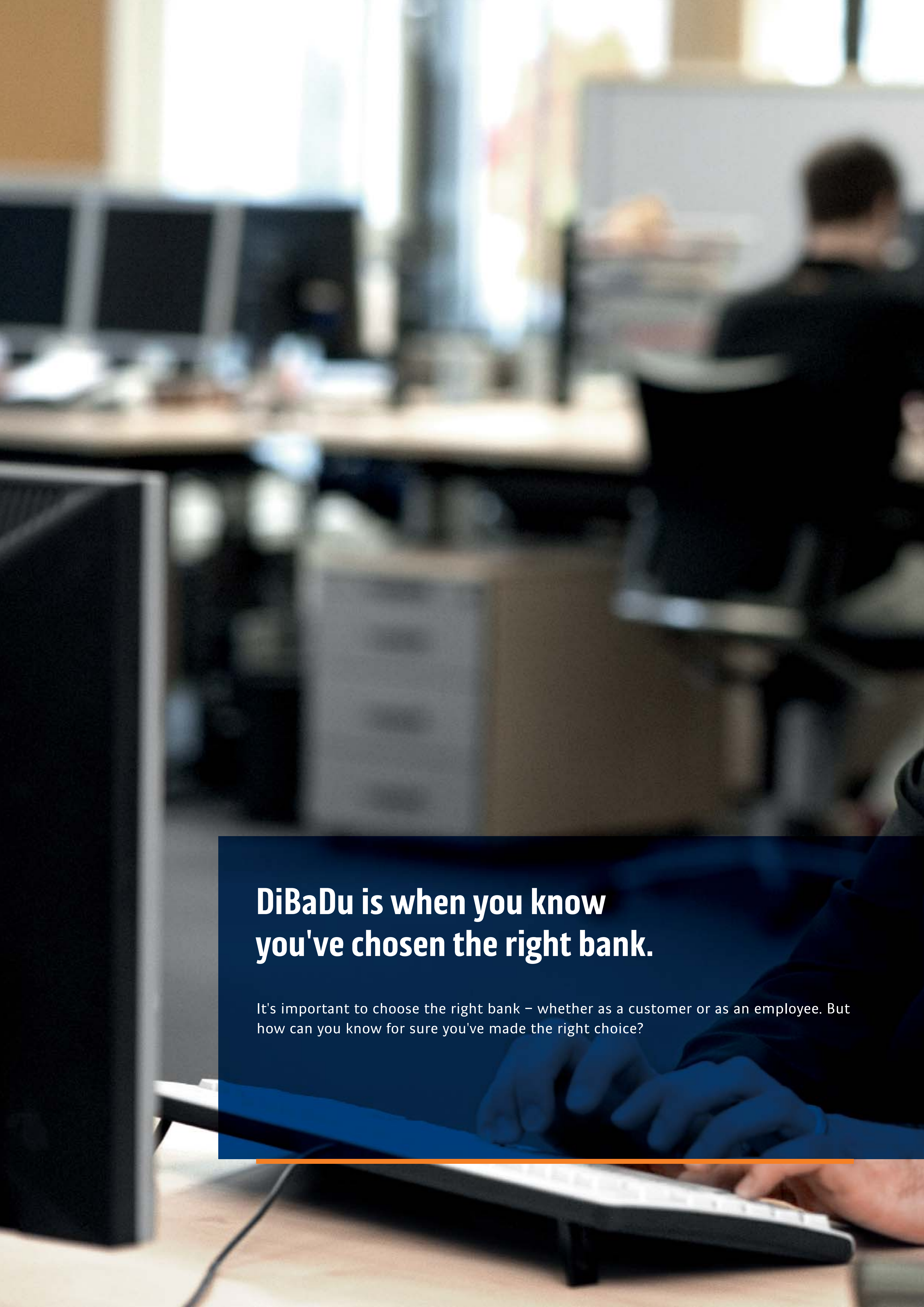
ING-DiBa won't let you down

"Full service means having the right attitude towards our customers."

One of her current projects is to expand DiBa's customer referral program. What's new is this program is now being implemented for the current account, as well. This means all conditions of participation must be tweaked. "Every application counts," says Kutschka. "This is why we pay out the bonus as soon as the application is made instead of waiting for the account to be opened. After all, it isn't the customer's problem whether or not we actually accept the application to open a current account. What's important to us is the customer who considers us worth recommending. We wouldn't want to let them down." Kutschka considers this philosophy "typical for ING-DiBa", even though it is a rarity in the banking sector. For example, if current account holders lose their ec/Maestro or VISA Direct card, we'll send them a new one for free within a few business days. For them, "full service" means that the Bank has the right attitude towards them, in every detail!

Just like Denise-Barbara Kutschka, Johanna Biedinger came to ING-DiBa while she was still a student. She got to know the Bank while working in its customer service call center in Hanover, before she moved to Frankfurt am Main to work in the Marketing department. "The Bank's 'Horizons' program gives employees the chance to check out other departments. I was so taken with Marketing that I took the first opportunity I got to go to work there", she remembers. Biedinger analyzes the path customers take, from receiving their first informational material to deciding on a product. At what point along the way do customers find a particular step agreeable, where they receive "full service"? What do they find unclear or complicated? Says Biedinger: "Actually, that's an easy one: customers receive full service when they get what they want or need." And that's the challenge. The path from informational material to an account opening leads through many departments. The quality of service therefore depends greatly on how well these departments work together. Biedinger and her colleagues recently followed a consumer loan application on this path step-by-step. This exercise resulted in improvements at 52 "junctions": letters, brochures and inserts. The final result will be unveiled in a few months. ING-DiBa's consumer loans come highly recommended, as evidenced by FOCUS MONEY magazine's most recent rating of "Fairest Loan".

Johanna Biedinger,
Marketing / Communication



DiBaDu is when you know you've chosen the right bank.

It's important to choose the right bank – whether as a customer or as an employee. But how can you know for sure you've made the right choice?

“Speed and a personal touch aren't mutually exclusive with us.”

Angelika Stobrawe,
Service Center

Jörg Schlicker,
Human Resources

At ING-DiBa, employees are encouraged to formulate e-mails “in their own words” as far as possible.

Angelika Stobrawe joined ING-DiBa in 2007 through an ING initiative designed to provide training to older jobseekers looking to rejoin the labor force or switch career paths. After a seven-month apprenticeship, Stobrawe, an insurance broker by training, began working in the E-Service department. This department is responsible for responding personally to customer e-mails or forwarding them on to the relevant recipients. It's a department that has constantly expanded over the past years. Says Stobrawe: “We sent out roughly 650,000 e-mails in 2010. At the peak of the financial crisis, we received as many as 5,000 e-mails per day. That was quite a challenge for us all.”

Customer service comes first

Though it may seem odd for an online bank, e-mail communications were long overshadowed by communication via the phone and by post. But things have changed, giving Angelika Stobrawe a chance at being a pioneer: “We learned to cope with the stress and now respond to e-mails within 24 hours. And of course, customer service is the utmost priority.” Seventy-five percent of inquiries can be answered immediately, while 25 percent are forwarded to the relevant specialist department.

At ING-DiBa, employees are encouraged to formulate e-mails “in their own words” as far as possible. Ms. Stobrawe's dedication has played a major part in this: “Of course, we work with boilerplate and standard formulations. But my experience has been that customers are much more impressed when they receive an e-mail with a personal touch. The ability to write well is a must! I have quite an affinity for people who have a confident writing style. While E-Service places the priority on quick, customer-oriented information, customers appreciate a recognizable ‘personal’ corporate style.”

ING-DiBa: the right choice

Angelika Stobrawe was so successful that she was eventually entrusted with training and guiding apprentices. It is a matter of pride for her that her younger colleagues respect her and she is pleased to see their professional and writing skills improve. “Writing e-mails pushes apprentices. Having direct contact with customers is a valuable experience for them. Moreover, I try to show them that I feel like I've chosen the right bank – as one of its employees.”

Jörg Schlicker has also noticed that applicants and colleagues alike consider ING-DiBa the right choice. Eighty-seven percent of its employees called ING-DiBa an excellent employer in the annual Great Place to Work survey.

As head of Human Resources, his internal customers are his colleagues in sales, the staff and the service departments. "It's important to me that we are fair, open and honest with our candidates and my colleagues." Schlicker's contribution to the Bank's success is the high value he places on providing excellent service and constantly improving his work – such as by providing prompt reactions: "This goes for reactions to internal issues as well as for recruiting candidates. I would like for every candidate – even those who don't get the job – to feel that they are treated with respect, both in our reaction to their application and during their interview. I think a company can express its culture in the way it formulates rejection letters just as well as it does in the way it writes its acceptance letters.

"It's important to me that we are fair, open and honest with our candidates and my colleagues."

Focus on the customers

Schlicker ultimately believes that as a human resources employee he is no different from colleagues in customer service: "We're all operating on the same basic premise: our focus is on the customers." He shares the conviction of most of his colleagues that employees who feel that they've chosen the right bank to work for can also convey this feeling to a customer or a friend. Schlicker thinks that's one reason why so many people recommend the Bank, including as an employer.

Rarely have a bank's brand values been so successfully rendered into images as in the new Extra account ad featuring Dirk Nowitzki and a likeable, cheeky young kid, says Karin Otte from the Marketing department. The kid wants an autograph, but his hero's handwriting is illegible. So he urges the NBA star to write his name again – legibly this time – registering his approval with a gratified "that wasn't so hard now, was it?". If you ask Otte, you could hardly better sum up the Bank's philosophy. The ad portrays the values of transparency and service while remaining poignant, human and down-to-earth.

"All we did was put our daily experience with DiBa in an ad," said Otte. This good feeling is having an effect. "Advertising," said Otte, who studied business management and has been with ING-DiBa for seven years, "is extremely important for a direct bank. For us, advertising means getting out there. Of course, we contact our customers by phone, e-mail and post. But our ads show that we are more than a traditional bank; they show who we are, how we think and what we do."

Karin Otte,
Marketing / Communication

Group management report

ING-DiBa serves several interest groups: its employees, its customers and everyone else associated with the Bank. ING-DiBa has never changed the fundamental pillars of its business strategy and values stable, long-term relationships with all stakeholders. Employees, customers and partners recognize this and have made it possible for ING-DiBa to gain significant ground in all five of its core products.

3.0 Group management report

3.1 General Conditions

General economic conditions

Despite the sharp decline resulting from the financial and economic crisis, in 2010 the German economy recovered with a momentum which only a few months earlier would have been considered highly unlikely. Following a striking deterioration in gross domestic product (GDP) by 4.7 percent in 2009 – the greatest decrease since the founding of the Federal Republic – the German economy grew by more than 3.5 percent in the year under review according to current forecasts. In the second quarter of 2010 alone, GDP grew by 2.2 percent in comparison with the first three months of the year. This was the country's strongest growth rate since reunification.

However, the economic recovery slowed somewhat during the second half of the year. Economists expect the growth trend to continue in 2011, albeit at a slower rate. The losses of the 2009 crisis year are likely to be offset by this growth by the end of the second quarter of 2011 at the latest.

The economic recovery has benefited a large segment of the economy, not least as evidenced by the stabilization of the financial services sector. In the year under review, primarily export-oriented industries prospered. German products are in great demand internationally, though a specific growth impetus originates from the high level of demand in

3.1 General Conditions

the Asian boom countries. Overall, Germany's GDP is likely to again exceed EUR 2,500 billion in 2010.

If economic growth was primarily based on a successful export market during the first two quarters, then the fourth quarter showed clear indicators of significant recovery in private consumption. Good Christmas season sales may be considered an indicator that the Germans have overcome their crisis-induced reluctance to spend. Significantly lower unemployment numbers, moderately higher wages and an overall brighter mood proved to be the drivers of private consumption.

With a rate of price increases at around 1 percent, the year under review provided no indication of a danger of inflation. Prices in the second half of the year did, however, increase at a slightly higher rate, which was primarily attributable to higher energy costs. The 2010 inflation rate still remained well under the 2 percent threshold relevant for monetary policy. The European Central Bank (ECB) kept its benchmark lending rate at an extremely low level in a long-term comparison.

The rapid recovery of the German economy, standing in stark contrast to the ongoing difficulties experienced by many neighboring countries and the US, is even more remarkable given that the entire euro zone was shaken by heavy turbulence in the spring of 2010. Greece found itself at the "epicenter".

Following the dramatic exacerbation of this euro zone member country's budget situation at the end of 2009, yields on 10-year Greek government bonds soared at times to over 10 percent in April 2010. On April 23, 2010, the Greek government requested international financial aid in order to avert a potential bankruptcy. At the same time, the government implemented severe austerity measures and tax increases. In early May, the German Parliament and Federal Council approved the aid for Greece and passed the Monetary Union Financial Stability Act.

As a result of the financial crisis in Greece, other euro zone member countries were also put under pressure. In order to restore calm and stabilize the euro, the European Economic and Financial Affairs Council (ECOFIN), along with the International Monetary Fund (IMF), endorsed a series of loans totaling EUR 750 billion on May 8, 2010, in order to provide support to euro zone countries experiencing financial difficulties and to protect them from speculation.

The "safety net" for the euro zone significantly eased the crisis surrounding the common European currency. The euro was able to make distinct gains once again over the following months, in particular versus the US dollar. Major budget deficits in several euro zone countries remain problematic for the monetary union. Thus, Ireland had to accept an EU bailout in November 2010. In addition, growing inequalities among currencies was the focus of more attention as a main topic of the G-20 meeting in November 2010 in Seoul.

Industry environment

Naturally, the international banking industry was particularly affected by the consequences of the financial and economic crisis of 2008/2009. After all, it was the spectacular collapse of Lehman Brothers investment bank which drastically aggravated the already tense situation on the financial markets in the fall of 2008. Government intervention to stabilize the financial industry on one hand, and initial specific plans to strengthen the rights of intervention of national financial supervisory bodies on the other hand, characterized the year 2009.

The ING Group, the parent company of ING-DiBa, also accepted governmental aid and transitioned into a phase of extensive restructuring. In the meantime, the company has been very successful and, furthermore, was able to repay the Dutch government for half of the aid received. ING-DiBa, however, continued to be profitable in all quarters even during the difficult years of 2008/2009 and received no government assistance.

In general, for the entire financial services industry, 2010 was characterized by stabilization and consolidation. At the same time, banks worked to regain the lost trust of their customers. Many institutions in Germany and abroad were remarkably successful in achieving both of these objectives.

In the late fall of 2010, the vice president of the Deutsche Bundesbank, Franz-Christoph Zeitler, declared that the condition of German commercial banks was looking better than expected at that time. According to Zeitler, if nothing else, the refinancing situation of the banks had eased considerably. In addition to the financial institutions' successful restructuring measures, the unexpectedly strong economic growth in Germany certainly had a positive effect on the banking industry.

From the point of view of the banks, the results of the trust barometer published by the consumer research agency GfK (Gesellschaft für Konsumforschung) in fall 2010 were no less gratifying. According to this study, customers' trust in their banks has risen slightly for the first time since the financial crisis. Most Germans were confident that their funds in German banks were invested safely.

Without question, results of the stress test carried out on a total of 91 banks across Europe also served to promote trust. As expected, of the 14 largest German banks, only the nationalized real estate financing provider Hypo Real Estate failed the worst case scenario.

3.1 General Conditions

While the banking industry was recovering from the shocks of 2008/2009, governments discussed new tools and regulations aimed at minimizing the risk that such a crisis would reoccur. Among these are, in particular, the Basel III standards, a regulatory framework to toughen capital requirements in the financial industry. In addition, the federal government approved a bank levy to take effect in 2011; payments from this levy will feed an emergency fund to cover future crises. Finally, reforms addressing deposit protection across the EU were introduced. As of January 1, 2011, the legal limit for compensation in the event of bank insolvency was doubled from EUR 50,000 per customer to now EUR 100,000 per customer in the countries of the European Union.

Overview of Business Development

Regardless of the tangible economic recovery, 2010 remained thoroughly unsettled. On one hand, strong demand from abroad spurred significant growth, while on the other hand, the economic growth was not sufficient to compensate for the collapse of 2009. In this persistently challenging environment for the financial services industry, ING-DiBa generated highly satisfactory results in the year under review. The Bank is managed according to the customer assets and customer loans segments. Customer assets includes the core products savings deposits, securities business and current accounts. Customer loans include mortgage loans and consumer loans. The Bank documented growth rates – significant in some areas, such as in savings deposits or the number of current accounts – for all core products. With this, ING-DiBa has again succeeded in strengthening its position as Europe's largest direct bank and one of the leading retail customer banks in Germany.

This bank without branches has offices in Frankfurt am Main, Nuremberg, Hanover and Vienna, from where it offers banking services for retail customers in Germany and Austria. The number of customers again reached to new levels in 2010. At the end of the year under review, around 7.1 million customers maintained a business relationship with ING-DiBa (2009: 6.9 million).

Retail balances, which are made up of the sum of customer assets and customer loans, increased to EUR 153.5 billion compared with EUR 138.4 billion in 2009.That corresponds to growth of around 11 percent. In addition, please note the section describing the performance of the customer assets and customer loans segments.

Net interest income in the 2010 fiscal year was EUR 1,128 million (previous year: EUR 815 million) and net commission income was EUR 43 million (previous year: EUR 46 million). Even after generating profit before tax of EUR 280 million in 2009, an extraordinarily difficult year for the financial industry, ING-DiBa subsequently achieved a new record in profits of EUR 494 million in the year under review. That corresponds to an increase of 76 percent.

ING-DiBa's total assets reached a volume of EUR 96.3 billion in the 2010 fiscal year in comparison with EUR 87.8 billion in the previous year. Group equity is EUR 4.8 billion compared with EUR 4.5 billion in the previous year.

Overall, the Bank is of the opinion that, ING-DiBa has thus performed far better than the overall banking sector. Above all, the Bank's long-term product and service philosophy has proven to be very successful, in particular against the background of the financial crisis.

The shortcomings of commission-driven consulting have become distinctly evident over the past years. Although customers incur no direct costs for the consultation, employees of the branch banks are faced with a problem that is virtually inherent in the system. Awareness of this conflict is growing among customers, as confirmed by a study commissioned by ING-DiBa published in July 2010. For this reason, ING-DiBa has promoted an alternative to both commission-driven consulting and also fee-based consulting for years.

In September 2009, a product leaflet was introduced for the Bank's most important investment products. ING-DiBa was thus the first German financial institution to implement a recommendation by the German Minister for Food, Agriculture and Consumer Protection. Over the course of 2010, ING-DiBa also supplied product leaflets for all of the Bank's investment products.

On the second anniversary of the collapse of Lehman Brothers, ING-DiBa once again took on a leadership role with its introduction of a new financial portal "finanzversteher.de" in September 2010.At this website, users can find brief, understandable information on important issues surrounding the topics of investment and retirement savings. In addition, the website provides checklists and a variety of selection and analysis programs to assist in the decision-making process. In a market distinctly characterized by overcomplicated products and consultants' interest in commissions, ING-DiBa wants to support users in taking their finances into their own hands. The "finanzversteher.de" portal is completely free of advertising. Recommendations are not geared toward the Bank's product portfolio, but pertain solely to the interests of the customer. ING-DiBa operates this portal because it believes that no bank benefits more from the Germans' growing understanding of financial matters than ING-DiBa.

The declared goal of ING-DiBa to communicate with current and potential customers "eye-to-eye" is an important part of the Bank's business strategy, which can be summarized in three core statements:

- **Direct banking instead of branches:** Customers enjoy 24-hour service by telephone or via the internet, where they encounter ING-DiBa employees who are not under extreme sales pressure, unlike typical branch bankers. Pure direct banking without branches is a crucial factor in the overall low costs of ING-DiBa. ING-DiBa passes this advantage – which also

3.1 General Conditions

contributes to the Bank's lean processes – on to its customers in the form of attractive interest rates and low fees, thus securing its long-term success.

- **Quality over short-term offers:** Ultimately, customers profit more from fair terms on a sustained basis than from very short-term interest rate advantages. Furthermore: Poor quality at a low price is not good value, but worthless. For this reason, ING-DiBa pays very close attention to the high quality of its products and services. Sound business that promotes trust is also part of the Bank's philosophy of quality. ING-DiBa manages its customer deposits conservatively and based on transparent, simple principles. A complex investment policy with an affinity for risk is strictly rejected.

- **Simplicity over complexity:** This maxim applies to each product and the processes accompanying it. The Bank consciously strives to maintain a lean product portfolio which ensures that the customers are not confronted with an unnecessary jumble of different products but rather are put in a position to take their financial decisions into their own hands.

As a direct bank, ING-DiBa does not offer face-to-face contact with its customers. For this reason, geographical proximity to the customer is replaced by emotional proximity. This is reflected in the Bank's new advertising campaign launched in early September 2010. The focal point of the campaign centers around the good feeling of ING-DiBa customers that they have chosen the "right bank".

The campaign's success can be measured by various communication and brand key metrics. On one hand, spontaneous advertising recall rose by 14 percent in the first eight months of 2010 to an average 27 percent from early September, nearly doubling. In addition, spontaneous brand recognition improved from 28 percent to 40 percent over the same observation period.

The brand metric "first choice", which asks after the first choice of bank and permits only one answer per financial product, improved from 22 percent to 25 percent from early September.

These metrics indicate that the increased emotionalization of the brand has been accepted and that ING-DiBa is reaching new customer segments, strengthening the position of the company.

Overall, ING-DiBa can look back on a very successful 2010 fiscal year. The brand is well established in the market, a pioneer project was implemented in the banking industry with the portal "finanzversteher.de", clear growth was posted in both customer assets and customer loans business segments, and earnings were increased considerably once again. This was achieved with a slightly lower number of employees in comparison with 2009. As of December 31, 2010, ING-DiBa employed 2,696 men and women (previous year: 2,750), of whom 72 were trainees (previous year: 80).

General and administrative expenses including write-downs amounted to a total of EUR 543 million (previous year: EUR 502 million). Personnel expenses represent the largest item with EUR 186 million (previous year: EUR 181 million).

The Supervisory Board of ING-DiBa AG appointed Roland Boekhout as Chairman of the Management Board effective as of October 1, 2010. Mr. Boekhout succeeded Ben Tellings, who holds the post of Chairman of the Supervisory Board of ING-DiBa since then. Bernd Geilen has also been a member of the Management Board of ING-DiBa AG since October 1, 2010. Previous to that date, he acted as CEO of ING Direct Italy and was previously a general manager of ING-DiBa. In his new function as Chief Risk Officer, Bernd Geilen is responsible for the Risk Management, Compliance and Ant-Money Laundering departments and for consumer loans.

Katharina Herrmann was appointed to the Management Board of ING-DiBa AG effective as of January 1, 2011. Previous to this, she was CEO of ING-DiBa Direktbank Austria. In her new position, she is responsible for ING-DiBa Direktbank Austria and for the Marketing, Product Marketing and Target Group Management areas, as well as for Mortgage Loan Sales.

3.2 Development of the Customer Assets and Customer Loans Segments

Customer assets

General

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

Savings deposits

In the year under review, the ECB followed a steady-handed policy, keeping its benchmark lending rate, the interest rate for main refinancing operations, at a record low of 1.0 percent for the entire year. In November 2010, ECB president Jean-Claude Trichet made clear once again that he considered the current interest rate level to be appropriate for the euro zone, and price stability remained secured over the medium term.

3.2 Development of the Customer Assets and Customer Loans Segments

Although against this backdrop, bank deposits cannot currently generate high yields, many consumers chose this stable type of investment during the year under review in light of the previous turbulence in the financial markets. ING-DiBa also profited from this, as the free "Extra account" featuring daily accessibility has been among its bestsellers for many years. During the year under review, the Bank paid above average interest rates of 1.5 percent p.a. through June 30, and 1.3 percent p.a. from July 1, 2010 for deposits in these call deposit accounts in Germany. Interest rates of 1.9 percent p.a. or 2.0 percent p.a. were temporarily paid on deposits in new accounts for a six month period.

ING-DiBa's time deposit accounts are also popular with customers. During the year under review, the Bank granted interest rates on deposits in these accounts from 1.3 percent p.a. (EUR 10,000 and above) to 2.0 percent p.a. (EUR 50,000 and above with a twelve-month term). In addition to this, the Bank offers interest growth accounts with built-in tiered interest rates, savings bonds and savings schemes within the scope of capital contribution benefits.

As of December 31, 2010, ING-DiBa held a total of around 6.8 million savings accounts (including current accounts) for its customers (previous year: 6.5 million). As of the end of the 2010 fiscal year, portfolio volumes (retail volume excluding current accounts) for savings deposits in the area of retail customer business accounted for EUR 82.2 billion in comparison with EUR 75.3 billion in the previous year.

Securities business

After the mood in the international financial markets had improved significantly by the end of 2009, and the Deutsche Aktienindex (DAX) closed the year at just under 6,000 points, the first quarter of 2010 was disappointing in the stock markets. In a sign of pronounced volatility, prices of the most important equities fell again, not least under the effects of the Greek debt crisis, only to recover during the further course of the first half of 2010. Assessments of market participants initially diverged on the point of whether the leading economies were truly recovering or whether this was primarily a flash in the pan, resulting from government cash injections. In late summer, however, the most important share indices rose with a significantly lower degree of volatility. In fall, the DAX was already approaching the 7,000 point mark, closing the year on December 30, 2010 with 6,914 points. The EuroStoxx 50 also developed favorably, as did the leading indices on the US exchanges.

Following the loss of trust caused by the financial and economic crisis, the willingness of private investors to invest carefully and selectively in securities and funds increased again during the year under review. ING-DiBa's securities business also reflects this trend. As of December 31, 2010, ING-DiBa managed around 833,000 securities accounts for its customers – an increase of over 35,000 compared with the end of 2009. The securities account volume grew to EUR 17.4 billion (2009: EUR 13.8 billion), of which EUR 6.4 billion was related to funds (2009: EUR 5.3 billion). This increase is remarkable to the extent that the previous-year securities account volume and the fund volume contained therein had already reached record highs.

Customers in the area of actively managed funds continue to demonstrate a distinct reluctance to buy. In contrast, welcome developments can be seen in the passively managed exchange traded funds (ETFs). This type of investment is enjoying growing popularity. Not least against this backdrop, ING-DiBa introduced ETF savings plans in June 2010 which represent around half of all new fund savings plans opened since then.

Overall, ING-DiBa executed 5.9 million securities orders for its customers in the year under review in comparison with 4.8 million in the previous year. That corresponds to an increase of 22 percent. This demonstrates that ING-DiBa's strategy of addressing the needs of light traders is increasingly yielding results.

Current accounts

ING-DiBa's current account business developed quite favorably during the fiscal year. Besides the fact that these accounts are maintained with no fee, customers also appreciate the ability to obtain cash at no cost in the euro zone using their VISA card. The number of current accounts managed by ING-DiBa grew to 730,000 during the fiscal year (previous year: 602,000). At the end of 2008, the Bank managed just under 522,000 accounts for its customers. The deposit volume in the non-interest-bearing current accounts well exceeded the 1 billion euro mark as of December 31, 2010, reaching a total of over EUR 1.32 billion (previous year: EUR 989 million). Debit volume in current accounts increased from EUR 146 million to EUR 160 million.

The legal dispute with individual savings banks which blocked ING-DiBa and other banks' VISA cards at their ATMs in Germany continued in 2010. However, important rulings were made during the year under review. The Munich Higher Regional Court ordered that the savings bank Sparkasse Ingolstadt remove its ATM block (file number: U (K) 1607/10). In doing so, the Munich Higher Regional Court upheld the appeal of ING-DiBa and other banks in full. To date, this is the first and only decision of a Higher Regional Court in this legal dispute. The Higher Regional Court denied an appeal. In response, the savings bank filed an appeal against the refusal of leave to appeal on points of law with the German Federal Supreme Court. As of the publication date of this report, this court's decision had yet to be reached.

The background of this long-lived disagreement: Within the VISA system, ING-DiBa and all other banks pay a flat fee of EUR 1.74 for cash withdrawals to the bank operating the ATM. In the EC-Maestro system, the savings banks charge up to EUR 20 per cash withdrawal. According to the savings banks themselves, their actual cost for a cash withdrawal

3.2 Development of the Customer Assets and Customer Loans Segments

amounts to only EUR 0.63. In February, 2010, the Federal Cartel Office began a comprehensive investigation of ATMs and the interbank fees collected. Within the scope of this investigation, detailed questionnaires were sent out to 280 banks in Germany. The Federal Cartel Office observed the impact of the current regulations pertaining to fees and plans to take action against those charging excessive fees in the future.

Since January 15, 2011, the direct customer fee applies, completely eliminating the former interbank fee. Private banks decided to charge only EUR 1.95 going forward for withdrawals by customers of other banks. According to our own initial studies, savings banks and cooperative banks are continuing to charge up to EUR 10 to customers of other banks.

Customer loans

General

The customer loans segment comprises all of ING-DiBa's products which its customers can use to obtain access to a loan from ING-DiBa. This includes two core products: Long-term mortgage loans and consumer loans which are usually short term.

Mortgage loans

During the year under review, ING-DiBa remained one of the largest German mortgage lenders and was even able to strengthen its leading position with confirmed new business of around EUR 8 billion (previous year: EUR 6.1 billion). This development seems even more remarkable in light of the fact that private residential construction in Germany showed a distinct declining trend during at least the first few months of 2010. Between January and September, 2010, 138,000 residential units were approved for construction according to the German Federal Statistical Office. This represents a decline of 7 percent in comparison with the same period in 2009, although interest rates for mortgage lending remained at a very attractive level.

In addition to the traditional financing of owner-occupied residential properties with terms of between 5 and 15 years and repayment rates of between 1 and 10 percent p.a., ING-DiBa also offers follow-up financing on attractive and flexible terms and conditions. At the customer's request, both initial and follow-up financing can be combined with the respective programs offered by the KfW development bank. Possibilities for initial financing include the KfW's programs for residential property and residential modernization, as well as parts of the program for energy-efficient construction. Follow-up financing can be combined with the residential modernization program.

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

As of December 31, 2010, ING-DiBa maintained 605,000 mortgage loan accounts (previous year: 534,000) with a portfolio volume of EUR 51.5 billion (previous year: EUR 47.2 billion). Exceeding the 50 billion mark in mortgage loans on September 21, 2010 represented an important milestone in ING-DiBa's success story. In doing so, ING-DiBa was able to again make gains in all mortgage lending metrics during a period of great difficulty for the entire construction and real estate industry.

Consumer loans

Following the temporary erosion of consumer trust caused by the financial and economic crisis, private consumption improved considerably in Germany and Austria during the year under review. According to a survey conducted by the consulting firm Boston Consulting Group, by early summer of 2010, only 29 percent of Germans still felt personally affected by the preceding economic decline.

This survey revealed that the share of Germans who wanted to reduce their spending declined from 64 percent in December 2009 to 44 percent in June 2010. At the end of the year under review, strong Christmas season sales signaled that the economic recovery was now increasingly borne by private domestic demand.

Growth in ING-DiBa's consumer loans segment indicates an increase in the willingness to make private investments. In addition to traditional installment loans, ING-DiBa offers a flexible line of credit as a cost-effective alternative to an overdraft facility. Automobile loans for financing vehicle purchases and homeowners' loans round off the product range. The homeowners' loan product also includes an ecological component. This loan can be used for more than just purchasing new furniture or implementing modernization projects in the home. It is also appropriate for measures targeted at increasing energy efficiency in the areas of heating and solar energy.

For ING-DiBa, the introduction of the Consumer Credit Directive during the year under review was quite beneficial for the consumer loans business. This directive places strict limits on credit advertising using interest rates that are only available to a small percentage of all customers. Since ING-DiBa has always refrained from offering consumer loans dependent upon customer credit, offering instead the same interest rates for all customers, the Bank profited from these new guidelines set forth under the Consumer Credit Directive. In combination with favorable interest rates, the portfolio volume of consumer loans increased to a total of EUR 2.7 billion by the end of the fiscal year in comparison with EUR 2.4 billion in the previous year. The number of loan accounts increased to around 330,000 (previous year: 308,000).

3.3

Results of Operations

3.3 Results of Operations

Income Statement	12/31/2010 € m	12/31/2009 € m	Change € m
Interest income	1,128	815	313
Commission income	43	46	– 3
Other net income	– 7	19	– 26
Risk provision	– 127	– 98	– 29
Personnel expenses	– 186	– 181	– 5
Administrative expenses	– 357	– 321	– 36
Profit before tax	494	280	214
Taxes	– 149	– 78	– 71
Profit after tax	345	202	143

ING-DiBa's earnings performance improved significantly during the 2010 fiscal year in comparison with the previous year which was burdened by the financial crisis. Profit before tax increased by 76 percent from EUR 280 million in 2009 to EUR 494 million in 2010.

	2010 € m	2009 € m
Interest income		
Interest income from lending transactions	2,574	2,419
Interest income from impaired loans	– 0	0
Total interest income from lending transactions	2,574	2,419
Interest income from available-for-sale securities	381	363
Interest income from held-to-maturity securities	346	418
Interest income from other derivatives	175	185
Other interest income	– 750	– 526
Total interest income	2,726	2,859
Interest expense		
Interest expense on deposits from banks	– 156	– 157
Interest expense on deposits from customers	– 1,228	– 1,647
Interest expense on securitized liabilities	0	0
Interest expense on other financial liabilities	0	0
Interest expense on other derivatives	– 213	– 236
Other interest expense	– 2	– 4
Total interest expense	– 1,598	– 2,044
Net interest income	1,128	815

The Bank increased its net interest income in spite of the continued restrictive conditions in interbank business, including restrictions for new investments and reinvestments. At EUR 1,128 million, net interest income was 38 percent higher than the previous year amount of EUR 815 million. Interest expenses for customer investments declined in comparison with the previous year because interest rate levels remained low. At the same time, interest income grew through continuing strong new business in mortgage lending. Other interest income which also includes the net interest loss from hedge derivatives declined from EUR –526 million to EUR –750 million. Overall, interest income fell by EUR 133 million to EUR 2,726 million. Overall, interest expense fell by EUR 2,044 million to EUR 1,598 million.

The decline in net commission income by EUR 3 million is essentially related to increased agency expenses in the mortgage lending business, which were more than offset by increased income in brokerage business. Income in the brokerage business is mainly related to the increased trading activities of our customers. In addition, the securities account volume rose during the fiscal year.

Other gains/losses of EUR –7 million (previous year: EUR 19 million) is made up of measurement gains/losses from derivatives and hedged items of EUR 21 million (previous year: EUR -46 million) and the gains/losses on financial investments of EUR –34 million (previous year: EUR 60 million) and other income of EUR 6 million (previous year: EUR 5 million). Gains/losses on financial investments were the result of the sale of financial investments. Net income from hedge accounting had the opposite effect.

Administrative expenses increased by 11 percent to EUR 357 million. The increase in administrative expenses is essentially related to marketing expenses. Marketing expenses increased by EUR 41 million in comparison with the previous year, which is primarily attributable to higher expenses for placing advertisements or TV/radio advertising under the new marketing campaign. In addition, the contribution to the deposit protection fund increased due to a higher measurement basis. Despite this, the Bank continues to focus on processes to optimize cost structures while maintaining or improving quality.

Personnel expenses increased by EUR 5 million to EUR 186 million.

In comparison to the previous year, risk provisions were increased by EUR 29 million to EUR 127 million. Higher risk costs are primarily related to growth in the mortgage lending business.

At year's end, the Bank's valuation allowances totaled EUR 473 million (previous year: EUR 396 million). An allowance for losses on loans and advances was recognized in accordance with IAS 39.59.

3.3 Results of Operations

Income tax expenses of EUR 149 million comprise the actual tax expense of EUR 201 million and deferred taxes of EUR 52 million. In accordance with the principle of substance over form, both the current and deferred income taxes are disclosed in the IFRS subgroup consolidated financial statements by the entity responsible, ING-DiBa AG.

3.4 Assets, Liabilities and Financial Position

Statement of financial position	2010 € billion	2009 € billion	Change € billion	Change %
Assets				
Loans and advances to banks	8.7	6.4	2.3	35.9
Loans and advances to customers	62.7	56.1	6.6	11.8
Adjustment to portfolio fair value hedges	1.6	1.5	0.1	13.1
Financial investments	20.3	20.8	− 0.5	− 2.4
Derivatives with positive fair values	0.4	0.3	0.1	33.3
Other assets	2.6	2.6	0.0	0.0
Total assets	96.3	87.7	8.6	9.8
Equity and liabilities				
Deposits from banks	5.7	4.4	1.3	29.5
Due to customers	82.2	75.3	6.9	9.2
Derivatives with negative fair values	2.1	1.9	0.2	10.5
Equity	4.8	4.5	0.3	6.7
Other equity and liabilities	1.5	1.6	− 0.1	− 6.3
Total liabilities and equity	96.3	87.7	8.6	9.8

ING-DiBa's total assets grew by 10 percent during the course of 2010 to EUR 96.3 billion. There was always sufficient liquidity during the fiscal year. Please also see our explanations in the Risk Report in this connection.

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

Loans and advances to banks increased by EUR 2.3 billion to EUR 8.7 billion. Due to the high inflow of customer deposits, the Bank was able to invest greater volumes in the interbank market – primarily in reverse repo transactions in connection with liquidity management.

With respect to liabilities, deposits from banks fell by 29.5 percent to EUR 5.7 billion. Essentially, this is attributable to an increase in refinancing liabilities from KfW development loans.

The loans and advances to customers totaling EUR 62.7 billion comprise 65.1 percent of total assets. The increase in loans and advances to customers of EUR 6.6 billion since 2009 is primarily attributable to the growth in mortgage lending and increased public sector lending.

Financial investments declined in 2010 by EUR 0.5 billion to EUR 20.3 billion. The portfolio of financial investments classified as AfS increased from EUR 11.3 billion to EUR 13.2 billion. The portfolio of financial investments classified as HtM declined from EUR 9.5 billion to EUR 7.1 billion. Please also see details on the risk profile of the loan portfolio in the Risk Report.

The positive fair value of derivatives of EUR 0.4 billion and the negative fair value of derivatives of EUR 2.1 billion are related to the Bank's hedging transactions. Some of the derivatives are part of Bank's hedge accounting.

ING-DiBa's entire volume of deposits increased from EUR 75.3 billion at the end of 2009 to EUR 82.2 billion at the end of the year under review.

Growth was thus 9.2 percent and is primarily attributable to an increase in customer time deposits and the discount campaigns conducted in 2010 for call deposit accounts in Germany and Austria. As of December 31, 2010, as in the previous year, customers maintained approximately 6.8 million savings accounts and current accounts at ING-DiBa.

Equity increased by EUR 0.3 billion to EUR 4.8 billion.

All of ING-DiBa's share capital was held by ING Deutschland GmbH, Frankfurt am Main, on December 31, 2010.

During the fiscal year, contingent liabilities increased from EUR 3.7 billion to EUR 4.3 billion. These are almost exclusively related to irrevocable loan commitments to customers.

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

3.5 Events after the Reporting Date

Significant events after the close of the fiscal year

In 2011, the Bank intends to legally integrate the German branch of ING Bank N.V., Amsterdam into ING-DiBa.

3.6 Risk Report

Overview of the risk situation

Situation in the financial market

The year 2010 was characterized by a strong economic upswing in Germany. Although the German economy declined sharply during the crisis in the previous year, exports and the recovery in global trade fueled a favorable performance in 2010.

For the euro zone, 2010 emerged as the year of the debt crisis. When combined with the failures from the past and the subsequent government rescue packages, the financial and economic crisis drove new debt significantly higher in the member countries. As a result of this, the debt sustainability of individual countries was called into question, resulting in the drastic widening of the risk premiums for government bonds.

The European Stability Mechanism (ESM) was established in order to maintain financial stability within the euro zone. It was under this program that Ireland followed Greece and was provided with monetary aid from the European Union in order to bear the burdens from the collapse of the Irish banking system.

Within the scope of financial market regulation, lawmakers initiated and – in some cases have already implemented – reforms related to liquidity and capital adequacy within the banking sector. The new regulations in the Basel III accord include more stringent requirements for the quantity and quality of a bank's equity. Institutions must transition into compliance with these requirements by 2018.

Liquidity situation

During 2010, the liquidity situation in the markets continued to stabilize. During the year under review, ING-DiBa experienced strong inflows in the area of deposits, which resulted in an expansion of the portfolio of short-term money market assets. Due to high levels of net income from customer refinancing activities, refinancing activities in the money markets were reduced considerably. Overall, ING-DiBa has a consistent and comfortable liquidity position at a high level.

Retail loan portfolio

While 2009 was the stabilizing year following the economic downturn, the recovery became more and more evident in 2010. The stability of the German markets for residential units, the favorable climate for consumption and the rapid economic recovery provide a good basis for customer business.

Retail lending business developed well in the past year. This was clearly evidenced by the stability of default and loss rates. As in the previous year, new business had a favorable risk profile. A consistently sound trend is expected for the retail lending business in 2011.

Institutional loan portfolio

Due to the conservative investment policy for institutional lending and the focus on refinancing through private savings deposits, the direct impact from the financial market crisis was limited for ING-DiBa. In 2010, new medium-term investments were again focused on highly liquid and creditworthy securities such as government bonds, bonds issued by German federal states and covered investments. Throughout the year, short-term money-market transactions have been conducted primarily for liquidity management purposes and on a completely secured basis. Over the past two years, DiBa has not made any new investments in asset-backed/mortgage-backed securities (ABS/MBS) in the market. One intercompany transaction was carried out in the fiscal year. ING-DiBa's ABS/MBS portfolio consisted exclusively of investment grade securities and exhibited a solid credit quality with 97% of the ABS/MBS rated AAA. Overall, the total institutional portfolio declined in comparison with the previous year.

Special projects

The project launched in the previous year to prepare a mortgage bond issue (*Pfandbrief*) was pursued throughout the fiscal year with extensive measures being successfully completed for the project. The approval of the German financial supervisory authorities to issue a mortgage bond has been granted.

3.6 Risk Report

During the year under review, the departmental organization within risk management was changed.

Management of market and liquidity risks has now been taken over by the Controlling department in the Overall Bank Management desk. The Risk Management department is responsible for the management of credit risks and operational risks. The tasks from the compliance and anti-money laundering areas have been bundled in a third separate department.

Principles of risk management

Organization

The overall Management Board is responsible for the organization of risk management including monitoring the risk from all business transactions and risk management including that of the ING-DiBa Direktbank Austria branch. It is responsible for establishing the risk profile, the risk strategy and the Risk-Bearing Capacity Concept. The Management Board regularly informs the Supervisory Board of developments in ING-DiBa's business and risk situation.

There are guidelines at the Group level which provide a framework for the credit risk policy set forth by ING-DiBa's Management Board. In this respect, these are applicable in full, even for the ING-DiBa Direktbank Austria branch.

ING-DiBa's significant risk types are market and liquidity risks, default risk and operational risks. In keeping with this risk orientation, ING-DiBa's Management Board installed two independent organizational units reporting directly to the responsible member of the board. In terms of the segregation of functions, their reporting lines are structured in such a way that they remain completely separate from the risk-bearing departments and functions.

The Controlling department is made up of the Overall Bank Management desk and Product and Cost Management desk, reporting directly to the Chief Financial Officer. For market and liquidity risks, there is also a functional reporting line to the Chief Risk Officer.

The Risk Management department is divided into the Retail Credit Risk Management, Institutional Credit Risk Management, Regulatory Risk Management, Information Risk Management, Operational Risk Management and Collection desks, and reports directly to the Chief Risk Officer.

The regulations governing business activities in innovative products or in new markets are set forth in writing in the guideline "New Product Process" and meet the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement, “MaRisk”) in full. This guideline accounts for activities concerning both the lending business and the deposit business. In addition, the New Product Process also applies to product modifications. In 2010, no credit transactions were executed in innovative products or in new markets.

Risk committees

As part of its overall responsibility, the Management Board has commissioned the Controlling and Risk Management departments with the operational execution of the appropriate activities, and delegated responsibility for risk management to various committees.

- The Asset and Liability Committee (ALCO) is responsible for managing the interest rate and liquidity risk for ING-DiBa's overall portfolio, and the default risk from the Bank's non-retail business (i.e. institutional investments). The committee meets on a monthly basis. Special tasks include establishing specifications and guidelines for risk management in connection with the strategic orientation in the banking book, in particular, limit allocation for market and liquidity risks, and discussing the Bank's earnings and risk situation.

- The Credit Risk Committee (CRC) deals with identifying, quantifying and monitoring the default risk associated with retail lending business. The committee meets at least every quarter. Special tasks include limit allocation for credit risks, definition of the limit system, decisions with regard to the structure of risk classification procedures and establishing standard risk costs.

- The task of the Operational Risk Committee (ORC) is to identify, measure and monitor ING-DiBa's operational risks, and to ensure that appropriate measures are taken at management level by the respective responsible line managers. The committee meets at least every quarter.

Risk strategy

The deliberate and controlled taking on of risks within a prescribed range with appropriate compensation for the risk is a core basis for a bank's realization of profits. The goal of all of ING-DiBa's risk management activities is to ensure the Bank's continued existence, including under adverse conditions.

In this context, risk is defined as the possibility of a negative deviation from an expected financial result. Risk management comprises all activities concerning the identification, analysis, measurement, decision to take on (not take on) and control of risks.

3.6 Risk Report

Risk types

ING-DiBa's risk strategy is derived from the overall bank strategy. A strategy is defined for each risk type and approved by the Management Board. In conjunction with the risk-bearing capacity, it reflects the Bank's risk appetite.

Four risk types defined as material result from the business model:

Market risks generally represent the risk of potential losses due to adverse changes in market prices (e.g. bonds) or parameters influencing market price (such as interest rates, spreads or volatilities). Because of its consistent non-trading strategy, the Bank's main market risk is the interest rate risk in the banking book. ING-DiBa is not exposed to currency risks, risks from equities and other capital positions or commodity risks.

Liquidity risks represent the risk of insolvency and therefore the danger that the Bank is unable to meet current or future payment obligations, either in the full amount due, or as they fall due (tier one liquidity). Liquidity risk also represents the possibility of negative impacts on earnings or assets due to limited access to refinancing in the market, increased refinancing costs or losses from the liquidation of existing positions due to insufficient market depth or other market disruptions. Risk-bearing capacity specifically accounts for this characteristic of liquidity risk and backs it with the appropriate risk-taking capital.

Credit risks include potential losses that may be caused by a deterioration in the creditworthiness of, or default by, a counterparty. In addition to the traditional risk of default in customer business, the issuer and counterparty risks from trading transactions in institutional business are also taken into account here.

Operational risks are defined as the risk of financial loss or loss of reputation through external influence (criminal acts, natural disasters, etc.) or through internal factors (e.g. loss of IT systems, fraud, human error, faulty processes, structural weaknesses, insufficient monitoring). At ING-DiBa, operational risk also includes legal risks arising from contractual arrangements or regulatory frameworks.

Risk-Bearing Capacity Concept

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

ING-DiBa has placed the Risk-Bearing Capacity Concept at the center of its risk management activities. The objective of this plan is that a sufficient amount of risk-taking potential is held at all times.

ING-DiBa use a treatment for the model-based risk assessment which has evolved into an industry standard: First, the individual risk types are considered separately. Each risk type is quantified using appropriate models. When quantifying the default and operational risks, the same methods are used as for calculating the economic and regulatory minimum capital requirements under Basel II (Internal Ratings-Based Approach – IRBA or Advanced Measurement Approach – AMA). Interest rate and liquidity risks are quantified using the Bank's present value model.

A bank's overall risk is defined as the totality of all potential negative deviations from expected values that could occur during a specified period. In determining the profile, the extent and scope of adverse developments are gradated. This results in increasing potential risks.

The aggregated overall risk (normal scenario) represents the case of a negative change significantly above the plan, in the general conditions relevant to the Bank. In scenario analysis, increased volatility of risk factors causes expected values associated with a financial burden that are significantly greater than the Bank's earnings power.

In addition, management has defined a representative stress test (stress scenario). The changes in risk factors are considerably greater than as reflected in the parameters originally specified. The potential losses exceed the allocated risk-taking potential for the aggregated overall risk. The risk-taking capital defined for the representative stress therefore also includes the backup provided by the unallocated portion of the risk-taking potential ("free" risk-taking capital). This is based on the condition that the cumulative overall risk in the representative stress may not exceed the risk-taking capital.

Risk-taking potential and risk limits

The risk-taking potential is determined by the Bank's capital that is available for covering the risk exposure and potential risks.

Only a portion of the risk-taking potential is ever allocated as risk-taking capital, retaining a limit buffer, which cannot be allocated as a risk limit.

The amount of the risk-taking capital is allocated annually by the ALCO and is based on ING-DiBa's business strategy and its related risk appetite.

3.6 Risk Report

The limit buffer, the overall limit and the allocation of limits to the individual risk types are generally determined annually. The limit or limit allocation can be changed at any time if required. Limit changes must be approved by the ALCO and subsequently confirmed by the respective responsible committee (ORC or CRC).

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

Risk-bearing capacity in the year under review

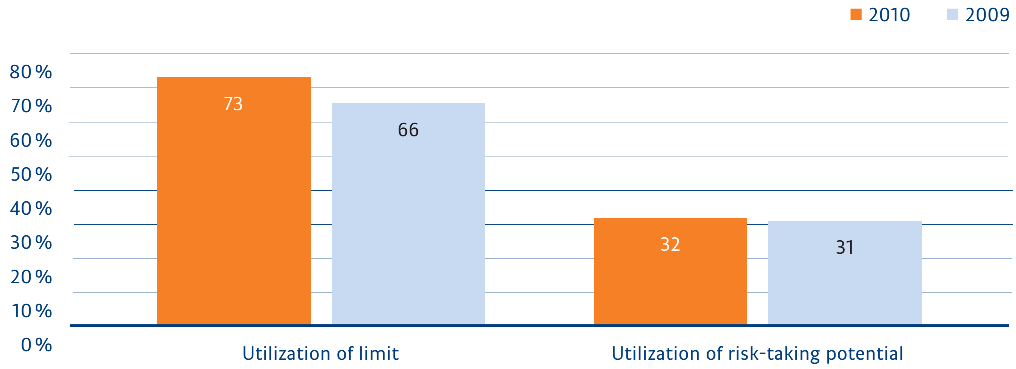
The Bank's risk-bearing capacity was ensured at all times during the course of the 2010 fiscal year. The existing limits were not exceeded.

	Year under review 12/31/2010 Limits € m	Year under review 12/31/2010 Utilization of limit % limit	Previous year 12/31/2009 Limits € m	Previous year 12/31/2009 Utilization of limit % limit
Credit risk	1,200	97 %	1,200	74 %
Market and liquidity risk	500	26 %	500	55 %
Operational risk	300	54 %	300	52 %
Total risk amounts/capacity	2,000	73 %	2,000	66 %
Unallocated risk cover amount	1,690		1,422	
Limit buffer	800		800	
Risk cover potential	4,490		4,222	

The Risk-Bearing Capacity Concept remained unchanged in 2010. No changes were made to the calculation of components for the risk-taking capital.

The following graphic compares the utilization of limits and the risk-taking potential. The utilization of limits increased slightly in comparison with the previous year and amounted to 73 percent in the year under review (previous year: 66 percent). Utilization of the total risk-taking potential shows steady progression and amounted to 32 percent in the year under review (previous year: 31 percent).

Utilization of limits and risk-taking potential



Integrated stress test

While monitoring stress scenarios as part of the Risk-Bearing Capacity Concept, ING-DiBa also analyzes risk situations that extend beyond these parameters. This integrated stress test is refined on an ad hoc basis, but at least once a year. It takes into account the current economic environment and defines an individual stress scenario for the Bank.

For this, the Bank put in place a panel of experts made up of members of the board and functional managers. This panel determines specific risk situations which can arise, in particular, from a combination of different risks. The results are then assessed by the panel of experts within the framework of risk-bearing capacity, and potential measures are developed for the future.

Conducting scenario simulations itself is the responsibility of the Controlling and Risk Management departments.

This plan is a part of the Bank's risk management process and internal process to ensure risk-bearing capacity (Internal Capital Adequacy Assessment Process – ICAAP).

At the beginning of the year under review, the Bank carried out integrated ad hoc stress tests. Two stress scenarios were developed by the panel of experts in March 2010, and the effects on the Bank's equity and liquidity situations were then analyzed.

The effects of the crisis in Greece, which was emerging at the beginning of the year, were simulated in the first integrated stress scenario. Results showed that in the event of a simulated default by Greece, the risk-taking capital was sufficient, even if the potential risks materialized, to cover the higher risk potential resulting over the course of the scenario.

In the second scenario, an operational loss event was created in order to test the maximum duration of the Bank's resistance in terms of its liquidity situation.

This scenario showed that the available cash and cash equivalents would be sufficient to maintain business operations for an adequate period of time, even in the event of outflows considered highly extreme.

Risk concentration

ING-DiBa is a direct bank focused on the retail customer segment in Germany and Austria. Due to the strategic focus of the Bank, the Bank deliberately enters into certain concentrations, such as specializing in one business segment. Nevertheless, standard retail business also provides an opportunity for broad diversification within individual portfolios.

The Risk-Bearing Capacity Concept does not limit concentrations. Rather, the objective of risk management activities is to recognize risk concentrations within the scope of analyses and to find opportunities for diversification, if necessary.

For managing concentrations, the Bank defined limits outside the scope of the Risk-Bearing Capacity Concept.

Basically, the borrower-related cluster risk is negligible in retail business as there are no specific structural targets for industries or regions. Setting certain product characteristics, including standards for maximum credit and limit amounts and terms, ensures a homogeneous distribution within the portfolio.

In the institutional lending business, there is a detailed system of limits to ensure the maximum framework per sector/product, rating and term for all limits imposed.

The analysis of potential concentrations is carried out by means of separate concentration reports.

Risk reporting

Risk reporting is conducted by both the Controlling and Risk Management departments and is addressed to the overall Management Board and, according to the focus of the risk, to the members of the corresponding risk committee. The Supervisory Board is informed by the Management Board on a regular basis, at least four times per year.

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

Reporting is tailored to the significance of the risks and is prepared on a daily, weekly, monthly or quarterly basis. In the event of changes to important parameters of risk calculation or relevant parameters in the market environment, the recipients are provided with relevant information on risk management in a timely manner.

A separate report is created on a quarterly basis for the analysis of risk-bearing capacity. At least once each year, the execution of the integrated stress test for risk-bearing capacity is documented and presented to the ALCO.

Principles of Risk Management

Risk definition

In terms of market risk, ING-DiBa is mainly exposed to interest rate risk. Assuming interest rate elasticity of the interest-bearing positions, changes in the market interest rate lead to a decline in net interest income (short and medium-term perspective) or a reduction in economic value as a measure of the Bank's long-term earnings potential.

Organization

The Management Board commissioned the Controlling department with monitoring compliance with market risk regulations. Within the department, the Overall Bank Management desk is responsible for managing market risk. This responsibility includes application of methods and models for risk identification and measurement, monitoring limits and the reporting function.

The Treasury department is responsible for the implementation of operational management measures. Within the scope of the segregation of functions, trade activities of the Treasury are organizationally separate from the settlement activities of the Back Office.

Market risk strategy

ING-DiBa pursues a strategy focused on the Bank as a whole when quantifying and managing interest rate risks.

The overall Bank is viewed here as a portfolio and consists of the retail positions in customer business and the positions in transactions in its own account (institutional positions), entered into within the scope of asset liability management.

3.6 Risk Report

Due to their importance in terms of volume, short-term customer deposits at ING-DiBa play a substantial role in asset liability management. Past experience shows that contrary to their short-term nature, savings deposits actually remain in the Bank significantly longer and display a relatively low responsiveness (interest elasticity) to changes in market interest rates.

In risk management, the scope of risk that can be assumed is limited by the risk-bearing capacity. ING-DiBa follows a non-trading strategy and limits unwanted market risks by applying hedging strategies using derivative financial instruments such as interest rate swaps.

The objective of all activities in risk management is to ensure that the total of all market risks assumed always remains lower than the risk-taking capital allocated for this type of risk.

This interest risk strategy is an essential part of the Bank's Market & Liquidity Risk Management Policy.

Operational risk management and risk controlling

Under the dual control approach, ING-DiBa analyzes the effects of interest rate risk using a periodic analysis for interest income and a present value analysis for the Bank's economic value.

The Earnings@Risk (E@R) approach is used for analyzing the effects on interest income. This approach is a simulation for a 36-month planning horizon, which forecasts the net interest income as well as its change for a set of different scenarios and reflects planned future new business. This simulation analyzes in particular such cases in which business does not develop as planned or in which there are cash outflows from customer deposits.

Both major shocks and incremental changes in interest rates are investigated with respect to the market parameters. In addition to parallel shifts of the yield curve, changes in the interest rate structure (flattening, inversion) are also considered.

The ALCO set a warning limit within the scope of the E@R approach. The indicator is determined based on the ratio of the forecast net interest income for the worst scenario result to planned total costs non-personnel expenses, including marketing costs, plus personnel and risk costs). This ratio is reported monthly and measures the extent that planned total cost is covered by interest income. Covering costs at all times is a condition set forth under risk management.

In addition to the E@R approach, ING-DiBa uses a detailed present value model to gauge Economic Value@Risk (EV). Within the regular monthly simulation analyses, the effects of changes in market interest rates on the present value of the portfolio are analyzed. This model also uses input to measure changes in customer behavior regarding deposits payable on demand caused by changes in market interest rates. Changes to present value are limited under the Risk-Bearing Capacity Concept (upper loss limit at present value).

Market risk management is tasked with ensuring that the Bank does not suffer unacceptable losses, either in the periodic income statement or in the present value analysis.

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

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

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

Sensitivity analysis in the year under review

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

The following graphic depicts the results from the sensitivity analysis of net interest income for an interest rate shock of 200 basis points (BP) upwards in all maturity bands:

Sensitivity of net interest income Scenario	2010	2009
+200 bp	−3.79 %	−7.85 %

As of December 31, 2010, assuming a parallel interest rate increase of 200 basis points, results of the sensitivity analysis show a decline in net interest income compared with the starting point of −3.79 percent (previous year: −7.85 percent). A reduction in volatility compared to the previous year is due primarily to a somewhat lower sensitivity of liabilities to changes in market interest rates.

The following graphic depicts the results of the sensitivity analysis on economic value. For this analysis, an ad hoc parallel shift of the yield curve of +200 basis points in all bands is assumed:

Economic value sensitivity Scenario	2010	2009
+ 200 bp	− 2.23 %	1.43 %

The economic value as of December 31, 2010, would change by 2.23 percent (previous year: +1.43 percent) in the event of an interest rate shock of +200 basis points. This slightly unfavorable result in comparison with the previous year is due to the somewhat longer duration of investments which are made with the deposits payable on demand.

Market risk reporting

Timely information on relevant developments which could impact net interest income or economic value, for example, is an essential element in ING-DiBa's market risk management organization.

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

Monitoring and management of liquidity risks

Risk definition

Liquidity risk describes the danger of an inability to meet payment obligations, either in the full amount due, or as they fall due.

Liquidity risk arises from the Bank's business activities and is the result of differences in incoming and outgoing cash flows with respect to timing and volume.

Under normal conditions, customer deposits – which are very stable over the course of time – comprise ING-DiBa's main source of finance.

Due to the nature of the business model, however, the Bank's assets are less liquid than its liabilities, since customer deposits are technically callable in the very short-term. The liquidity risk arising from this is attributable to the possibility of negative effects to earnings or assets because the Bank

- is unable to meet obligations when due, that assets cannot be liquidated or adequate funding cannot be generated (funding liquidity risk),

- cannot liquidate existing positions without significant impact to the market price due to inadequate market depth or other market disruptions (market liquidity risk).

In addition to the different causes for liquidity risk occurring, several levels which can be impacted by the effects are defined. At the lowest level, one single bank is impacted. In the event of larger crises, the entire banking system at the country or currency level may be affected, up to a global liquidity crisis.

Organization

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

Due to ING-DiBa's business model, liquidity risk dovetails closely with market risk. The Management Board commissioned the Controlling department with monitoring compliance with liquidity risk regulations.

Given the close connection between market and liquidity risk, here, too, the Overall Bank Management desk is responsible for risk management. This responsibility includes application of methods and models for risk identification and measurement, monitoring limits and the reporting function.

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

Liquidity risk strategy

In terms of its business strategy, ING-DiBa considers itself a retail customer bank, offering a comprehensive product range suited to the customers' needs. As observed in the German market, terms for loans and advances to customers are significantly longer than those for amounts due to customers. Customers prefer to take out long-term loans and to invest their savings flexibly. In order to adapt to customer preferences, banks take on the role of liquidity maturity transformation, which is one of banks' main roles within the economy and represents an essential source of income. Because of this, bank loans and advances are less liquid than the banks' deposits from customers, therefore representing liquidity risks.

The objective of the liquidity strategy is to organize liquidity management in such a way that adequate liquidity can be provided at all times. In addition, there is an organizational framework for responding adequately to a liquidity crisis situation.

The liquidity risk strategy pursues the following objectives:

- Creation of adequate organizational structures to manage ongoing liquidity requirements
- Provision of an adequate portfolio of assets that are convertible into cash to cover unexpected liquidity gaps
- Preparation of an organizational framework for handling crisis situations

Liquidity contingency plan

The Bank has developed a contingency plan for handling liquidity crisis situations. In addition to establishing internal and external communication plans and describing possible measures, the contingency plan also specifies a crisis management team.

In the event of a crisis, the liquidity crisis management team will be convened to determine and initiate all specific activities and measures. This special committee consists of the members of the board (MoB) and functional managers from the Risk Management, Corporate Communications and Marketing departments.

The most important tasks include assessing the crisis situation and activation and execution of the liquidity contingency plan (LCP). The chairman of the local liquidity crisis management team acts as contact person for communication with ING Direct and the ING Group.

Operational risk management and risk controlling

The goal of liquidity risk management is ensuring solvency at all times. The Treasury department is responsible for operational liquidity management. Treasury receives a daily liquidity report for this purpose, in which, among other things, future liquidity outflows and maturity mismatches can be seen.

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

Refinancing structure	2010 in %	2009 in %
Customer deposits	85	85
of which variable savings deposits	63	65
of which fixed savings deposits	20	19
of which deposits in current accounts	2	1
Other liabilities	10	10
Equity	5	5

In the year under review, the portfolio of customer deposits grew by around EUR 7.0 billion. As in 2009, the share of customer deposits to total amounts due to customers is 85 percent. With a share of 5 percent, equity remains stable at previous year levels.

The main source of refinancing risks is therefore an unexpectedly high outflow of customer deposits. In such a situation, it is important for ING-DiBa to have alternative refinancing sources available in order to meet its liquidity needs.

ING-DiBa holds a German banking license and has direct access to European money markets and capital markets. These markets offer ING-DiBa adequate liquidity both for daily liquidity management and also the ability to engage in activities to manage a liquidity crisis situation. In addition, facilities of the European Central Bank are available.

In addition, ING-DiBa has further possible sources of liquidity. These include money market transactions, repo transactions with other banks, the sale of asset positions and securitization of asset positions.

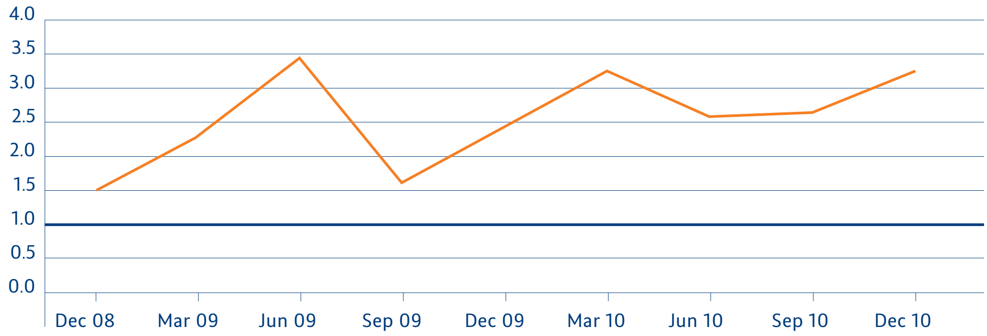
ING-DiBa holds a considerable part of the total portfolio in highly liquid securities which serve as a liquidity buffer for the Bank. In the event of a sustained liquidity crisis, ING-DiBa is able to sell or pledge these securities in order to generate the corresponding liquidity.

In addition to the portfolio of liquid securities such as government bonds or mortgage bonds, ING-DiBa is able to convert nearly illiquid assets such as mortgage loans to liquid securities. Securities created during this process can either be sold completely or used within the scope of repo transactions with other counterparties or the central bank. ING-DiBa uses this instrument to manage its structural liquidity position.

The Bank routinely uses simulation analyses within the scope of measuring risk in order to assess the risk situation. A scenario-based liquidity development report serves as the basis for these simulation analyses. This development report includes a comparison of payment inflows and outflows in different maturity bands.

A liquidity shortfall potentially occurring in this simulation is compared to the portfolio of free securities measured conservatively. As a metric, this is shown by means of the liquidity ratio as the quotient of the portfolio of free securities and cumulative liquidity needs (before measures). A surplus must be guaranteed at all times, in all scenarios and in all maturities, i.e. the liquidity ratio must be greater than 1.0. During the reporting period, ING-DiBa remained over the limit as shown in the following graphic:

Development of the liquidity ratio 2010/2009, Specification limit = 1



In addition to the simulation analysis carried out at least once a month, the Bank also carries out analyses on a daily basis. For this, customer cash flows are monitored in order to allow for early recognition of possible adverse trends. These early indicators are linked to quantitative thresholds which trigger corresponding defined measures in the event that the threshold value is reached.

Limitation

The Bank limits both the funding liquidity risk in the sense of insolvency risk and the risk of financial effects from liquidity crises.

To ensure solvency, limits are placed on maximum liquidity gaps in the simulation analysis maturity bands.

Within the scope of the Risk-Bearing Capacity Concept, limitation for the liquidity risk is achieved through risk cover amounts in order to limit possible effects in a liquidity crisis.

Liquidity risk controlling

Results of monthly scenario analyses are communicated by means of corresponding reports by the Overall Bank Management desk to the responsible recipients. In addition, the Treasury department provides regular information on current liquidity management within the scope of the ALCO meeting.

If, in the event of adverse developments, warning limits are exceeded in daily monitoring, an ad hoc report is prepared by the Overall Bank Management desk.

Monitoring and management of credit risks

Risk definition

The Bank defines credit risk as the risk of potential loss of value which can arise due to changes in creditworthiness or due to illiquidity through to insolvency of a business partner. Generally, ING-DiBa differentiates between general default risk and country risk. The general default risk is defined as follows:

- **Credit and default risks:** Potential losses arising from changes in creditworthiness or from non-payment of transferred capital by the borrower. In retail business, this is traditional credit risk. In institutional business, this can be further differentiated into issuer or counterparty and settlement risk in the widest sense.

- **Issuer and counterparty risk:** Potential losses result from the default of a contractual partner. In association with this, there are risks for unrealized gains on executory contracts. This risk is also called the replacement risk. This consists of the additional expense resulting from the necessity of concluding a new transaction for the lost transaction.

- **Settlement risks:** The risk of possible losses during the settlement or netting of transactions. Settlement risks always occur when the contracted amounts are not exchanged immediately. In the narrowest sense, settlement risks are the replacement risk at the point of settlement. Advance delivery risks represent the potential loss at the time of maturity when the Bank's own performance has already been delivered.

- **Country risks:** These are potential losses due to political and social unrest, nationalization and non-recognition of foreign debt by governments. In addition to the general default risk mentioned for all international transactions, this risk category also includes transfer risks (currency control and devaluation or invalidation of a country's currency).

3.6 Risk Report

Organization

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

The Management Board commissioned the Risk Management department with monitoring compliance with credit risk regulations. Risk management is responsible for the methods and models used for risk identification, quantification and management and also assumes operational limit monitoring and the reporting function. In addition, it writes the basic regulations for dealing with default risk positions on behalf of the Management Board, including requirements for management at the portfolio level on the basis of the credit risk strategy approved each year by the Management Board.

The Mortgage, Consumer Loans and Service Center departments, along with the Treasury department are responsible for the implementation of operational management measures.

Credit risk strategy

In the retail lending business, ING-DiBa focuses on customers with low, calculable risk. The objective is to achieve a homogenous portfolio with a uniform customer profile. This strategy results in a strong focus on mortgage loans, while the high-volume real estate business constitutes an exception, and is deliberately kept at a very low level.

Non-retail transactions with default risk are classified as institutional lending business. This applies to the Bank's own investments on money and capital markets and transactions in derivative finan-cial instruments for the purpose of managing interest risk within the scope of hedging strategies (trades within the meaning of MaRisk). Funds invested in institutional business serve primarily as an investment of net borrowings and to manage liquidity. Country risks exist only in institutional business. Against the backdrop of optimized diversification, the Bank will review reinvesting in corporate bonds in the future. Activities in this area have been carried out in the past so that the proper processes are already implemented, and there are IRBA models approved by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") available for risk quantification. The Bank considers the balance of income and risk structure in the institutional portfolio to be adequate against the backdrop of the more frequently observed risk of bank and government securities in terms of widening spreads and downgraded ratings as a result of the financial crisis. In addition, the Bank plans to expand intercompany transactions with retail asset collateralization due to the increased availability of information.

Although ING-DiBa is a trading book institution, the Bank decided, in practice, not to hold trading book positions. Transactions in the institutional area are classified as fixed assets or liquidity reserve.

Within the scope of the annual review of credit risk strategy, a decision was made in 2010 to retain the existing orientation. The credit risk strategy is closely integrated into overall planning and management, and in the Bank's Risk-Bearing Capacity Concept. In this, the focus remains on a balanced risk/return profile.

Operational risk management and risk controlling

Managing and monitoring default risk and along with this, implementing the defined credit risk strategy, takes place on both the level of individual risk and on the portfolio level.

Control elements of the Bank's credit risk strategy

Credit risk policy	Credit risk measurement	Credit risk management	Credit risk controlling
Strategic guidelines Product policies Risk appetite	Application scoring IRBA models EL & risk costs (PBIA & SIA) UL, RWA	Credit policy Processes Resources Monitoring/ early identification Portfolio management	Limit review Reporting

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

Credit risk policy

In accordance with ING-DiBa's general business policy and the principles for lending business as defined in the credit risk strategy, the product policy is geared towards a manageable number of smaller, understandable products, allowing standardized, scalable processes.

This principle also applies for the specific design of the retail credit products. For mortgage loans, lending is focused on financing owner-occupied residential units. Other retail lending business includes consumer loans with the installment loan and revolving credit and overdraft lines of credit on current accounts.

In the same way, these principles apply for the investment policy within the scope of institutional business. Accordingly, the catalog of products allowed is restrictively focused on simple, transparent plain vanilla products without stock price risk and currency risk within a narrow maturity and country limit grid.

3.6 Risk Report

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

Credit risk measurement

A central instrument in credit decisions are application scorecards, which are developed using mathematical methods based on historical data and reviewed on a quarterly basis.

Advanced internal rating systems (IRBA models in accordance with Basel II/ German Solvency Regulation (Solvabilitätsverordnung, "SolvV") serve as the basis for risk measurement and assessment. These comply with the methodological and procedural/organizational requirements of the banking authorities (BaFin).

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

In addition to providing support in the credit decision process, ratings results also serve in particular to determine expected and unexpected losses for the Bank's positions with default risks within the scope of calculating risk provisions and standard risk cost and to determine capital for economic and regulatory purposes.

Credit risk management

Guidelines and processes: The Bank's credit guidelines define detailed requirements for entering into credit risk positions. Credit approvals are provided according to an established system of authorities, which act as a framework within which decision-making individuals or bodies are authorized to approve lending transactions.

The adequate segregation of functions between the Front Office, Back Office and risk monitoring in accordance with regulatory requirements (KWG, MaRisk) is essential for approval.

The majority of standard retail business at ING-DiBa comprises non-risk-relevant business (mortgage loans up to a volume of EUR 1.5 million and other retail loans). In this case, as set forth in MaRisk, only the corresponding departments of the Back Office vote.

Real estate loans classified as risk relevant always require an approval vote of the Management Board. Approval in institutional business is gained within the scope of the limit system established by the overall Management Board and credit committee of the Supervisory Board. Deviations always require a vote by the overall Management Board.

The lending process also considers the strategic principle of efficient processes. In the retail buisness, the Bank has instituted a high level of standardization in its credit processes, and the individual process steps are automated. Credit approval, processing and process control is mostly automated by integrating the appropriate application controls and approval authorities in the corresponding IT systems.

A central element of credit risk management in the retail lending business is ensuring lending appropriate for the Bank's risk appetite. This is measured using the IRBA model and monitored and operationally managed by establishing a cut-off based on application scorecards.

The approval of trading lines in institutional business requires a valid internal rating of the counterparty or the issue based on the IRBA model. According to ING-DiBa's limit system, the external rating continues to be applicable.

Portfolio management: Within the scope of portfolio management, ING-DiBa pursues the goal of diversification within the restrictively oriented product and investment policy. A differentiated limit system serves as a management tool.

The Bank routinely performs loan portfolio analyses. These are based on, among other things, advanced IRBA models to determine value at risk or the expected and unexpected losses for portfolios with default risk.

Monitoring the risk profile and early identification of risk: Regular monitoring of the risk profiles of new and existing business in the individual portfolios as required under Basel II or SolvV and conducting stress test scenarios allow for early identification of changes to the risk structure and early warning indicators in the loan portfolios.

In retail business, a monthly observation of the risk structure development of the retail loan portfolio is also conducted. In addition, vintage trends are prepared for long-term analysis and the development of risk costs is observed.

Management of default risk in institutional lending business is based on an approval process embedded in ING Bank N.V.'s Group-wide Credit Risk Management. This includes both the credit rating of each customer taking into account the respective industry and the estimates of appropriateness of the planned business scope. Current observations of industry and market changes are carried out using information from external ratings agencies and using the company databases available within the ING Group.

Collateral management: ING-DiBa places strict requirements on the quality of collateral taken on deposit. Property serving as collateral must be domestic and used mostly for residential purposes. In addition, the mortgage loan must be secured by senior property (enforceable, senior, uncertificated land charge).

An automatic valuation is carried out for all loans using the external comparative value database. This complies with the Regulation on Determination of the Mortgage Lending Value. At a maximum, 90 percent of the purchase price is applied as the lending value. For mortgage loans with a volume of more than EUR 500,000, the Bank also uses an appraiser.

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

The loan application for installment loans, lines of credit and overdraft facilities already includes the assignment of wages and salaries. This assignment is not disclosed to the borrower’s employer until expiration of the deadline set in the letter of termination at the earliest.

With the exception of pre-settlement transactions with a collateral agreement (repo and swap transactions), transactions are always made without taking on collateral in order to reduce administrative expenses in institutional business. In order to reduce the equity capital burden, it is possible in individual cases to accept state and federal guarantees as collateral.

For transactions with a collateral agreement, collateral must be taken on deposit or provided. Collateralization must take place as a cash deposit in euro.

Credit monitoring and problem loan procedures: Prior to the date on which the lending commitment is terminated, intensified management of retail loans in arrears is the responsibility of the team specialized in dunning procedures within the mortgage loan and other retail loans product area. After termination of the exposure, the Collection desk of the Risk Management department takes over responsibility for the market sale, foreclosure sale and collection.

The automated dunning procedure is initiated automatically in individual steps when certain defined limits for accounts in arrears are exceeded. To the extent that the legal conditions for termination of a mortgage loan exist and have been inspected and released by the Dunning department, the exposure is terminated. For other retail loans, the unsuccessful completion of the final dunning run automatically results in termination.

The Bank always favors realization of collateral through market sale of the collateral property rather than foreclosure sale. If the borrower is willing to sell, a team of specialists from the Collection desk takes on a support function for the customer. If a deal is not closed within one year, the case is transferred to the foreclosure team.

There were no problem loans at ING-DiBa during the year under review. Problem loans are defined as default commitments with a loan amount of more than EUR 1 million.

Impairment test: Regular impairment tests are carried out for the entire ABS/MBS portfolio. The coverage ratio is determined for every investment on the basis of previously defined stress assumptions coordinated with the ING Group. Credit enhancement is contrasted with potential losses for this coverage ratio. Potential losses are calculated from the actual arrears in the portfolio and a loss ratio. For a real coverage ratio between 1 and 2, a need for impairment is analyzed in detail (potential impairment). Risk Management determines whether an impairment loss needs to be recognized based on a comprehensive analysis. If the test results in a coverage ratio of <1, this activates an impairment decision trigger with which the investment is presented to the ALCO for a decision. No impairment has been identified to date.

Credit risk controlling

The overview of current developments in the risk structure of the loan portfolio and the results of detailed risk analyses in the retail and institutional lending business are elements of the regular reporting to the Management Board and the responsible committees such as the CRC and the ALCO.

In addition, the Management Board and managers of the relevant divisions receive information on a monthly basis on the development of risk structure in the retail lending business.

3.6 Risk Report

In addition to management reporting and the early warning report, the standard measures for monitoring risk of the institutional portfolio also include ongoing monitoring of the ratings for late interest and capital payments. Also, as an advanced measure for risk monitoring, all market prices and spread developments are observed and monitored. Finally, conspicuous borrowers with increased risk are closely monitored on the watch list. The procedure also provides for particularly intensive monitoring via the restricted list for those counterparties with which business activities were terminated.

In addition to the regular impairment tests, the performance of the underlying credit pool is monitored within the scope of the ongoing risk monitoring, in particular for the ABS/MBS portfolio. Also, at the end of each month, the ten worst rated ABS securities are analyzed more closely and reported to management.

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

Loan portfolio

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

Structural risk profile

In the primary lending business, the focus is especially on mortgage business with retail customers. ING-DiBa offers mortgage loans in a standardized form with a maximum loan to value (LTV) of 100 percent of manufacturing cost. Incidental costs are not financed. Loans are available with interest rate commitment periods of five, ten and 15 years. Only property serving as capital that is exclusively used for residential purposes in Germany can be financed. The Bank also offers consumer loans in the form of installment and special-rate (Aktionskredit) loans and lines of credit (revolving lines of credit).

ING-DiBa's investment policy in institutional business is geared toward long-term, steady interest income. Pursuing this objective, the Bank is restrictive when establishing the spectrum of permissible transactions and the credit criteria for counterparty, issuer or issue credit. The Bank does not hold trading book positions. The investment emphasis is on interest-bearing securities of mortgage bonds (Pfandbriefe) and governments as well as local authorities, which comprises around 71 percent of the institutional portfolio. The relative share of bonds from banks continued to decline in 2010 (share < 2 percent). Investments are not made in equities or credit derivatives. Derivative financial instruments may only be concluded for hedging purposes.

In principle, issue lines are opened only for new commitments with externally rated credit classes of A3/A–/A– (Moody's, Standard & Poor's, Fitch). Other than this, there are no investments with currency risk.

In order to limit country risk, ING-DiBa's Management Board approved a country limit system which stipulates a minimum investment of 75 percent in selected European Union countries.

With the ABS/MBS portfolio, the Bank holds assets from other markets comparable to the retail mortgage loan core business to further diversify its investment portfolio (share around 4 percent of overall loan portfolio). The focus is on European issues (around 82 percent). The share of around 97 percent with an AAA rating demonstrates the highly conservative orientation in this segment. Residential mortgage-backed securities (RMBS) comprise the main share, followed by ABS consumer loans without credit card receivables and auto ABS. Commercial mortgagebacked securities (CMBS) play a lesser role.

In addition, ING-DiBa has a strong market position in short-term lendings to German municipali-ties including public utilities.

Retail loan portfolio

Mortgage loans

In 2010, new business for mortgage loans was favorable. Confirmed volume was approximately EUR 8.0 billion. Overall, the risk profile of the new business remained within the range of the previous year’s development. ING-DiBa's mortgage loan portfolio showed a balanced ratio of upgrades and downgrades and remained stable for around 70 percent of the customers.

Other retail loans

Over the course of the year, ING-DiBa experienced a continued increase in the area of installment and special-rate loans due to the positive consumption climate. Confirmed new loan volume increased by 62 percent in comparison with the previous year, account openings by 68 percent. Demand for lines of credit remained relatively stable, as did the newly confirmed credit lines.

Overall, the newly confirmed volume for consumer loans was around EUR 770 million. ING-DiBa's new customer risk structure for consumer loans improved. In existing business for installment loans, ratings upgrades clearly outnumbered downgrades. The migration rate for existing lines of lending business was around 50 percent. The risk profile exhibits a balanced ratio of upgrades to downgrades. In the area of current accounts, 2010 was also characterized by greater demand. Existing business exhibits a migration rate of around 58 percent, with ratings upgrades clearly outnumbering downgrades. By improving limit management, the Bank expects a declining trend with respect to possible future loss amounts.

Industry structure of the loan portfolio

Risk concentrations by sector or borrower group (nominal values)	Retail 2010	2009	Institutional 2010	2009	Total 2010	2009
Retail customers	100 %	100 %	0.0 %	0.0 %	59.9 %	56.9 %
Pfandbriefe/Covered securities	0 %	0 %	33.9 %	29.9 %	13.6 %	12.9 %
Governments/local authorities	0 %	0 %	35.1 %	33.1 %	14.1 %	14.3 %
Banks/financial institutions (unsecured)	0 %	0 %	1.8 %	3.7 %	0.7 %	1.6 %
ABS/MBS	0 %	0 %	10.0 %	8.7 %	4.0 %	3.8 %
Intercompany (ING)	0 %	0 %	7.8 %	19.6 %	3.1 %	8.4 %
Repos (excl. ING)	0 %	0 %	11.4 %	4.9 %	4.6 %	2.1 %
Corporates [1]	0 %	0 %	0.0 %	0.1 %	0.0 %	0.0 %
Total	100 %	100 %	100.0 %	100.0 %	100.0 %	100.0 %

[1] Gradual reduction of legacy portfolios of mortgages to legal persons this portfolio is not an issue of significance to management due to the lack of active business in this segment and immaterial amount (portfolio volume as of the end of 2010: EUR 16.6 million)

With respect to the reconciliation to nominal values, please see the tables in the section "Credit structure of the loan portfolio".

Regional division of the loan portfolio

The Bank takes on country risk in the course of its investment business on the capital and money market. In the retail lending business, there is no country risk since according to the strategic focus, loans are granted only to borrowers residing in Germany.

The following graphic shows the distribution of the institutional portfolio with respect to the country risk:

Risk concentration by geographical (nominal amounts)[1]	2010 € m	%	2009 € m	%
Germany	15,801	43.8	12,131	32.6
EMU	17,502	48.6	21,904	58.9
Other EU	1,893	5.3	2,129	5.7
Non-EU	843	2.3	1,031	2.8
Total	36,039	100.0	37,195	100.0

(1) Due to the immateriality of the portfolio of mortgages to legal persons (run-off portfolio), this is excluded from the overview, as in ING-DiBa's management reporting.

With around 44 percent, investments in Germany play the most important role in institutional business.

At year's-end, commitments in the European peripheral countries, Portugal, Ireland and Greece, comprised a total volume of around EUR 398 million (previous year: EUR 1.2 billion). Loans to central governments comprised EUR 180 million with a final maturity of 2013 (previous year: EUR 1.0 billion).

Special country limits have been set for these countries. The development of country risks is monitored regularly as part of the watch list and reported at ALCO meetings. The Bank does not currently see a need to recognize a risk provision.

Credit structure of the loan portfolio

Within the ING Group, all internal ratings are depicted on a uniform master scale that assigns every ratings result a risk class or a certain probability of default. The ratings classes are based on the designations of the Standard & Poor's ratings agency. The distribution of the credit risk-bearing portfolios for individual risk classes of the ING master scale provides information about the credit structure and, with that, the credit quality of the overall portfolio.

Credit quality of financial instruments in retail business for which no impairment losses have been recognized [1 2]

€ m	Mortgage loans 2010	Mortgage loans 2009	Other retail loans 2010	Other retail loans 2009	Total 2010	Total 2009
Low risk (1 – 7)	14,125.3	13,925.3	73.0	73.3	14,198.3	13,998.6
Medium risk (8 – 13)	35,459.2	31,460.5	2,427.2	2,130.1	37,886.4	33,590.6
High risk (14 – 19)	996.8	916.6	133.2	129.0	1,130.0	1,045.6
Total	50,581.3	46,302.4	2,633.4	2,332.4	53,214.7	48,634.8

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

2) Data is based on material retail business, which includes mortgage loans, installment loans, lines of credit and current accounts.

Credit quality of financial instruments in institutional business for which no impairment losses have been recognized [1 2 3]

€ million	Uncovered securities 2010	Uncovered securities 2009	Covered securities 2010	Covered securities 2009	ABS / MBS 2010	ABS / MBS 2009	Repos / loans 2010	Repos / loans 2009	Cash advances 2010	Cash advances 2009	Total 2010	Total 2009
1	3,221.0	3,190.0	0.0	2,455.0	3,532.4	3,242.7	0.0	0.0	0.0	0.0	6,753.4	8,887.7
2 – 4	7,369.0	7,977.6	845.0	4,580.9	51.6	12.2	1,008.5	6,428.5	2,428.4	1,836.8	11,702.5	20,836.0
5 – 7	4,845.3	2,345.0	4,891.9	3,754.1	35.9	0.0	3,121.0	103.0	0.0	0.0	12,894.1	6,202.1
8 – 10	682.0	50.0	2,712.0	340.0	0.0	0.0	950.0	600.0	0.0	0.0	4,344.0	990.0
11 – 13	235.0	69.0	0.0	0.0	0.0	0.0	80.0	210.0	0.0	0.0	315.0	279.0
14 – 19	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	0.0
Total	16,382.3	13,631.6	8,448.9	11,130.0	3,619.9	3,254.9	5,159.5	7,341.5	2,428.4	1,836.8	36,039.0	37,194.8

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

2) Due to the immateriality of the portfolio of mortgage loans to legal persons (run-off portfolio), this is excluded from the investment portfolio overview, just as it is in ING-DiBa's management reporting.

3) Covered securities are covered bonds such as Pfandbriefe, Cédulas, etc.

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

The distribution reflects the conservative approach of the institutional portfolio.

Securitization

Within the scope of credit substitution transactions, the Bank holds a portfolio of structured credit products for diversification purposes. The share of the overall loan portfolio currently amounts to about 4 percent or 10 percent of the investment portfolio. ING-DiBa's investment policy has a conservative orientation (share of AAA rating: 97 percent). The portfolio increased slightly in comparison with the previous year and amounted to EUR 3.6 billion at year's-end (previous year: EUR 3.3 billion). This is the result of investments in specially selected transactions made on an individual account basis with a view to high quality assets and detailed data availability.

Overall, investments in RMBS have the highest share (around 80 percent); in addition, the Bank holds positions in ABS consumer loans without credit card receivables and auto ABS. Commercial mortgage-backed securities (CMBS) play a lesser role.

Securitization portfolio by rating (nominal values)

	ABS		ABS		MBS		MBS		Total		Total	
	2010 € m	2010 %	2009 € m	2009 %	2010 € m	2010 %	2009 € m	2009 %	2010 € m	2010 %	2009 € m	2009 %
1	721.8	19.9	994.2	30.5	2,810.6	77.7	2,248.5	69.0	3,532.4	97.6	3,242.7	99.6
2 – 4	3.4	0.1	12.2	0.4	48.2	1.3	0.0	0.0	51.7	1.4	12.2	0.4
5 – 7	5.7	0.2	0.0	0.0	30.1	0.8	0.0	0.0	35.8	1.0	0.0	0.0
Total	730.9	20.2	1,006.4	30.9	2,888.9	79.8	2,248.5	69.0	3,619.9	100.0	3,254.9	100.0

The focus is on European issues (around 82 percent), with the Netherlands, Spain and Italy making up the majority of this amount with around 64 percent.

Securitization portfolio by country (nominal values)

	ABS		ABS		MBS		MBS		Total		Total	
	2010 € m	2010 %	2009 € m	2009 %	2010 € m	2010 %	2009 € m	2009 %	2010 € m	2010 %	2009 € m	2009 %
Germany	21.8	3.0	72.2	7.2	0.0	0.0	0.0	0.0	21.8	0.6	72.2	2.2
EMU	235.1	32.2	450.2	44.7	2,364.3	81.8	1,552.8	69.1	2,599.4	71.8	2,003.0	61.6
Other EU	5.7	0.8	9.6	1.0	345.4	12.0	414.9	18.4	351.1	9.7	424.5	13.0
Non-EU	468.3	64.0	474.4	47.1	179.2	6.2	280.8	12.5	647.5	17.9	755.2	23.2
Total	730.9	100.0	1,006.4	100.0	2,888.9	100.0	2,248.5	100.0	3,619.8	100.0	3,254.9	100.0

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

Delinquent but not impaired loan volume

ING-DiBa monitors the retail loan portfolio on a monthly basis for delinquencies or arrears. Generally, an obligation is considered "delinquent" if the agreed interest and principal payment is more than one day late. If this is the case, the regular dunning process is initiated. In the event of delinquencies of over 90 days, the loans are considered defaulted in terms of the requirements of Basel II/SolvV. The regulatory definition of default serves to distinguish the current portfolio from the default portfolio. Exposures which meet the SolvV criteria for unlikeliness to pay and are terminated are considered defaulted. In general, terminated loans can no longer be moved from the default status.

Credit quality outstanding loans

	Mortgage loans		Other retail loans	
in € million	2010	2009	2010	2009
Neither delinquent nor impaired	50,136.3	45,841.8	2,612.2	2,311.2
Delinquent but not impaired (1 – 89 days)	445.0	460.6	21.2	21.2
Impaired > 90 days	541.6	445.6	114.0	109.4
Total	51,122.9	46,748.0	2,747.4	2,441.8

	Institutional loan portfolio		Total	
in € million	2010	2009	2010	2009
Neither delinquent nor impaired	36,039.0	37,194.8	88,787.5	85,347.8
Delinquent but not impaired (1 – 89 days)	0.0	0.0	466.2	481.8
Impaired > 90 days	0.0	0.0	655.6	555.0
Total	36,039.0	37,194.8	89,909.3	86,384.6

A portfolio-based impairment allowance is recognized on the portfolio of loans and advances which are neither delinquent nor impaired.

Collateral of approximately EUR 599 million (previous year: approximately EUR 658 million) exists for past due (delinquent) mortgage loans. Existing collateral for impaired mortgage loans amounts to around EUR 502 million (previous year: EUR 435 million). It should be noted that the impaired item includes residual unsecured personal loans and advances.

Aging analysis (delinquent but not impaired): Outstanding loans

	Mortgage loans		Consumer loans		Total	
in € million	2010	2009	2010	2009	2010	2009
Delinquent btw. 1 – 29 days	58.7	46.6	9.1	9.1	67.8	55.7
Delinquent btw. 30 – 59 days	321.8	355.1	9.6	9.1	331.4	364.2
Delinquent btw. 60 – 89 days	64.5	58.9	2.5	3.0	67.0	61.9
Total	445.0	460.6	21.2	21.2	466.2	481.8

No significant concentration of a certain type of loan was observed in the delinquent portfolio segment.

The Bank monitors delinquent and not impaired loans in the mortgage and other retail lending business.

Risk provision

Risk provision in the lending business includes portfolio-based valuation allowances and specific valuation allowances including those calculated on a portfolio basis. The need for risk provisions is calculated quarterly and approved by the overall Management Board.

The development of risk provision under IFRS

	2010 € m	2009 € m
Opening balance	– 396	– 318
Utilization of existing allowance	46	23
Additions to/reversals of risk provision	– 123	– 100
Other changes	– 0	– 0
Closing balance	– 473	– 396

As in previous years, the largest amount of risk provisions occurs in mortgage lending. In 2010, risk provisions and the risk costs (annual additions through profit or loss) were within budgeted expectations.

Monitoring and management of operational risks

Risk definition

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

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

Organization

The Risk Management department is responsible for coordinating all activities with regard to management of the operational risk. Its duties essentially include the methodical guidelines for identifying, quantifying and managing operational risks and adequate risk reporting to the ORC. In this function, the Risk Management department works closely with the respective relevant divisions or functional and staff departments.

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

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

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

Operational risk strategy

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

Operational risk management and risk controlling

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

Incident reporting and risk & control self-assessments

Management of operational risks includes a company-wide incident reporting system, observation and analysis of key risk indicators, implementation of risk & control self-assessments in critical divisions and systematic tracking of requirements resulting from internal or external audits (audit findings tracking).

Information security

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

Legal security

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

Business continuity plan

Customized individual contractual arrangements are reviewed by the Legal department.

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

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

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

Risk management at the portfolio level

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

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

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

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

Additional disclosures under IFRS 7

Maximum default risk for each class of financial instrument (IFRS carrying amount)

	12/31/2010 € m	12/31/2009 € m
Assets from statement of financial position		
Cash reserve	1,417	1,481
Loans and advances to banks		
Payable on demand	2,197	2,236
Other loans and advances	6,512	4,140
Loans and advances to customers		
Mortgage loans	51,550	47,182
Consumer loans	2,839	2,560
Public sector loans and other loans and advances	5,294	3,630
Mortgage-backed securities	3,485	3,114
Risk provision	– 473	– 396
Adjustment to portfolio fair value hedges	1,665	1,503
Derivatives with positive fair value		
Hedging derivatives	250	83
Other derivatives	161	240
Financial investments		
Held-to-maturity	7,099	9,530
Available-for-sale	13,178	11,294
Other assets		
Interest accrued on AfS financial investments	254	199
Interest accrued on HtM financial investments	214	279
Interest accrued on receivables (ABS/MBS)	6	3
Interest accrued on hedging derivatives	137	107
Interest accrued on other derivatives	108	139
Other	26	36
Maximum default risk for assets in statement of financial position	95,918	87,360
Items not recognized in the statement of financial position		
Sureties and guarantees	0	0
Liabilities from the provision of collateral for third-party liabilities	2	2
Irrevocable loan commitments	4,288	3,655
Other business	30	14
Possible claims from items not recognized in the statement of financial position	4,320	3,671
Maximum default risk	100,238	91,031

Reconciliation of the classes of financial instruments for the Risk Report

Assets from statement of financial position	Descriptions from risk report	12/31/2010 IFRS carrying amount € m	12/31/2010 Risk report nominal € m	12/31/2009 IFRS carrying amount € m	12/31/2009 Risk report nominal € m
Cash reserve		1,417		1,481	
Loans and advances to banks		8,709	6,481	6,376	4,268
Payable on demand		2,197		2,236	
Other loans and advances		6,512		4,140	
	Reverse repo		4,109		1,650
	Uncovered securities		2,272		2,345
	Covered securities (pledge)		100		273
Loans and advances to customers		62,694	62,562	56,090	55,905
Mortgage loans	Mortgage loans	51,550	51,123	47,182	46,748
Consumer loans	Other retail loans	2,839	2,747	2,560	2,442
Public sector loans, other loans and advances		5,294		3,630	
	Cash advances		2,428		1,837
	Uncovered securities		2,782		1,761
Mortgage-backed securities	ABS/MBS	3,485	3,482	3,114	3,117
Risk provision		− 473		− 396	
Adjustment to portfolio fair value hedges		1,665		1,503	
Derivatives with positive fair value		411	0	323	0
Hedging derivatives		250		83	
Other derivatives		161		240	
Financial investments		20,277	19,815	20,824	20,521
Held-to-maturity		7,099		9,530	
	Uncovered securities		1,125		1,455
	Covered securities (pledge)		5,826		7,911
	ABS/MBS		138		138
Available-for-sale		13,178		11,294	
	Uncovered securities		10,203		8,071
	Covered securities (pledge)		2,523		2,946
Other assets		745	0	763	0

Continued on next page

Assets from statement of financial position	Descriptions from risk report	12/31/2010 IFRS carrying amount € m	12/31/2010 Risk report nominal € m	12/31/2009 IFRS carrying amount € m	12/31/2009 Risk report nominal € m
Interest accrued on AfS financial investments		254		199	
Interest accrued on HtM financial investments		214		279	
Interest accrued on receivables from customers (ABS/MBS)		6		3	
Interest accrued on hedging derivatives		137		107	
Interest accrued on other derivatives		108		139	
Other		26		36	
Maximum default risk for assets in statement of financial position		95,918	88,858	87,360	80,694
Repos/loans		0	1,051	5,450	5,692
Total assets		95,918	89,909	92,810	86,386

The table shows the IFRS carrying amount and nominal value for the respective classes of financial instruments. The latter serves as the basis for internal risk reporting.

3.7 Internal control system for accounting

Goal of the internal control and risk management system

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

Risks associated with accounting

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

General conditions for ICS Ac

The Bank's ICS Ac follows MaRisk. These set forth the principles for designing the Bank's own internal control system.

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

Control objectives for accounting are the

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

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

Organization of the ICS Ac

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

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

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

3.7 Internal control system for accounting

Risk Management calculates the risk provision for default risk in the lending business. It provides relevant information on the default risk for the risk report. Operational Risk Management assesses operational risk within the scope of the Advanced Measurement Approach (AMA) in accordance with Basel II. Controlling provides important information for market risk (interest rate risk) and liquidity risk for presentation in the risk report.

In addition, Controlling is responsible for the analysis of the operating result from a management accounting perspective, based on the IFRS figures. Treasury is responsible for Asset Liability Management with respect to liquidity management. The Personnel department provides data necessary for calculating provisions for pensions and other personnel-related provisions.

The Legal department manages pending litigation and determines the claim value for calculating provisions for the statement of financial position. Corporate Communications provides certain statements for the consolidated financial statements and coordinates the preparation and design of financial reports.

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

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

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

Uniform work directives and guidelines exist for ING-DiBa's Accounting department. In addition, exact job descriptions and authorizations exist for the individual activities. The question of adequate substitutes in the event of employee absences is also addressed. Detailed accounting requirements ensure proper accounting for business transactions. In addition, ING-DiBa's IFRS accounting is aligned with the ING Group accounting manual for exercising options. Detailed schedules are published during the preparation of the annual financial statements. Changes to the accounting guidelines are communicated in a timely manner. Specialized training prepares the employees for upcoming changes in national and international accounting.

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

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

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

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

3.8 Austrian Branch

General economic conditions in Austria

ING-DiBa AG has a branch in Vienna, ING-DiBa Direktbank Austria, serving the entire Austrian market. From the end of 2008, the Austrian economy suffered its worst recession since the 1930s. The country's GDP declined by a real 3.6 percent, not quite as much as German GDP. By contrast, the recovery in the year under review was also not as strong.

However, Austria's economy has grown significantly since the spring of 2010 at the latest. According to reports of the economic research institute WIFO, GDP grew in the second and third quarter by 2.4 percent each quarter in comparison with the respective quarter in the previous year. For the fourth quarter of 2010, somewhat weaker growth is expected. While Austria's economic growth was always slightly higher than that in Germany over the past few years, its GDP growth is estimated to have lagged somewhat behind the growth in Germany in 2010.

3.8 Austrian Branch

Over the past few months, the Austrian economy has benefited from a massive expansion in export business and stable private consumption rates. The country's construction industry, however, has not been able to free itself from the crisis.

In the fall of 2010, the Austrian unemployment rate was around 4.5 percent, well under the average 8.5 percent reported by the Organization for Economic Cooperation and Development (OECD) for its 34 member countries. With an annual inflation rate of 1.9 percent, the country is in the mid range of all European Monetary Union member states.

The industry environment in Austria

Parallel to the recovery of the overall economy, the banking industry in Austria also stabilized during the year under review. The three participating major banks passed the stress test with quite satisfactory results. Like Germany, the number of bank branches in Austria also seems to be higher than average. According to statistics from the Oesterreichische Nationalbank, there is one bank branch to every 2,000 residents. Their high level of involvement in Central and Eastern Europe, particularly neighboring, crisis-plagued Hungary, is a burden to the major banks of this country. ING-DiBa Direktbank Austria, in contrast, concentrates only on the domestic retail business.

ING-DiBa Direktbank Austria business performance

ING-DiBa Direktbank Austria domiciled in Vienna is a branch of ING-DiBa AG. This bank concentrates on savings products, also offering investment funds and lending business. ING-DiBa Direktbank Austria does not offer mortgage loans and current accounts.

In the year under review, the number of Bank customers grew in comparison with 2009 from 400,000 to now 471,000. The portfolio volume of customer deposits increased even more significantly from EUR 5.2 billion in 2009 by 21 percent to EUR 6.3 billion in the year under review. This can be considered an indicator that, under the effects of the financial market crisis, customers were searching for stable investment opportunities, and placed their trust in ING-DiBa Direktbank Austria as Austria's leading direct bank.

After the positive experiences in Germany, ING-DiBa Direktbank Austria also introduced the “product leaflet” for its financial products through which customers can obtain objective and transparent information on financial products offered by the Bank. During the year under review, ING-DiBa Direktbank Austria continued its established cooperation in advertising with Niki Lauda.

Quite well known among Austrian consumers by now, the motto of the television commercials, "Because I haven't a cent to waste", shows Niki Lauda owning up to his thrifty ways with humor and charm.

Effective on November 1, 2010, Roel Huisman was appointed as CEO of ING-DiBa Direktbank Austria. Prior to this, he was responsible for payment transaction products and services at ING Retail Netherlands.

3.9 Report on Opportunities and Expected Developments

Outlook

At the turn of the year 2010/2011, economic forecasts seemed uncertain to some extent. On one hand, the German economy showed sustained and wide-spread economic growth along with declining unemployment, only very moderate price increases and increasing consumer trust. It seems as though the German economy not only survived the crisis, but even came through it stronger. Consistent with the leading economic research institutes, we expect the growth of the past quarters to continue in 2011, while the dynamic of the recovery will likely weaken. OECD economists forecast GDP growth in Germany of 2.5 percent in 2011. With this, Germany would be slightly above the OECD average of 2.3 percent.

As a result, unemployment should continue to decline during the year. According to our assessment, economic development in Austria will only differ slightly from that in Germany.

This favorable forecast is under the condition that the acute debt problems of several countries in the European Monetary Union can continue to be defused by means of targeted and efficient crisis management, and that negative influences on the euro can be prevented in the long term.

By the end of the year, the responsible offices within the European Union were even considering increasing the EUR 750 billion safety net from the EU and IMF significantly, if needed. This illustrates that the situation in the euro zone cannot yet be considered stabilized. In addition, the question arises as to whether governments in the affected countries will be able to implement their ambitious savings programs without creating social unrest. New currency turbulence could at least slow the German economic upswing. It remains to be seen how the markets develop in the countries important for Germany's export business, in particular in the USA.

Despite these uncertainties, we assume an overall positive trend in the German and Austrian economies over the upcoming months. Above all, we feel optimistic about the consumer trust which recently showed significant improvements again, and – with the exception of some remaining problems – the extensive stabilization within the financial industry.

3.9 Report on Opportunities and Expected Developments

Financial institutions will continue to seek the favor of the German retail customer. ING-DiBa must therefore manage to assert itself in a more heated competitive environment. We are quite confident that we will continue to be more successful than the overall industry. Continuity and solidity remain the guideline of Europe's largest direct bank. Not least, this applies to our goal of maintaining the processes for cost structure improvement at a steady or increasing level of quality.

With the "third path" chosen by ING-DiBa as an alternative to commission-driven consulting and fee-based consulting, the Bank has positioned itself in a field with a promising future. The tools available for this – primarily the portal "finanzversteher.de" launched in 2010 – were met with a very favorable response from many customers and media representatives. The "eye-to-eye communication" with the customers is and remains an important task for ING-DiBa, one against which we will be measured again in the new year.

Since the Bank implemented the requirements from the Capital Requirements Directive III (CRD III) in full in the year under review, the Bank's focus is now on the implementation of the regulatory changes from Basel III for the years from 2011. In 2011, a Bank-wide project will be initiated in order to – building upon the experiences gained in implementing CRD III – further analyze the effects of Basel III and implement the necessary adjustments in the IT systems and processes. The Bank considers itself well placed in regard to Basel III.

In the customer asset segment, several million customers in Germany and Austria already appreciate ING-DiBa's established savings products as particularly stable investments in terms of value. Primarily, the call deposit account must be mentioned, which is offered in Germany as the "Extra account" and in Austria as "Direkt Sparen". Once again, ING-DiBa would like to achieve considerable growth in savings products in the current year.

The very favorable performance in the financial markets over months should further stimulate ING-DiBa's securities business. Despite the declines of the past few years, many investors understand that securities in a portfolio with long-term orientation are almost indispensable. For current accounts, ING-DiBa sees additional growth opportunities against a backdrop of the very satisfactory performance over the last three years.

In the customer loans segment, we expect continued stable demand for real estate loans over the course of 2011 in light of the sustained low interest rates and the revitalization of private residential construction now gradually becoming noticeable. In the area of mortgage loans, ING-DiBa has therefore targeted more growth in initial and follow-up financing. Our goal remains to further build upon the already high portfolio volume.

Given the Germans' increasing propensity to consume, which may increase further with additional declines in unemployment and growing real income, ING-DiBa also expects significant increases in the consumer loans segment for the 2011 fiscal year. With this, ING-DiBa once again assumes a positive trend for retail balances in the future.

The financial impact of the intended legal integration of the German branch of ING Bank N.V., Amsterdam into ING-DiBa in 2011 is considered negligible in relation to the operating profit of the reporting periods under review.

For 2011, the Group expects growth in the retail balances and an increase in profit in the high single-digit percentage range. In 2012, we assume that, once again, retail balances and annual profits will have increased in the high single-digit percentage range by the end of 2012. Since processes to optimize cost structures while maintaining or improving quality continue to be the focus, the Bank assumes an almost unchanging level of costs even in the future.

At this time, we would like to thank our 7,146,292 customers and all employees of our Bank. Their trust and commitment are reflected in the pleasing figures in this Annual Report.

Frankfurt am Main, April 29, 2011

The Management Board

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

Consolidated financial statements

Reliability and security are indispensable when it comes to banking. These values translate into figures that illustrate ING-DiBa's successful fiscal year. Simplicity and clarity in our product range are reflected at another level – in the clarity of our consolidated figures.

4.0 Consolidated financial statements

4.1 Consolidated statement of financial position

4.1 Consolidated statement of financial position

		12/31/2010 € m	12/31/2009 € m	1/1/2009 € m
Assets				
Cash reserve	1	1,417	1,481	1,035
Loans and advances to banks	2	8,709	6,377	3,541
Loans and advances to customers	3	62,694	56,090	51,594
Adjustment to portfolio fair value hedges	4	1,665	1,503	1,232
Financial investments	5	20,277	20,824	22,801
Positive fair value of derivatives	6	411	323	208
Investment property	7	13	13	14
Property and equipment	8	42	52	57
Intangible assets	9	29	33	32
Income tax assets	10	3	1	1
Deferred tax assets	11	329	294	596
Other assets	12	744	762	847
Total assets		96,333	87,753	81,957
Equity and liabilities				
Equity				
Issued capital		100	100	100
Share premium		– 127	– 127	– 127
Other reserves		4,858	4,526	4,494
Non-controlling interest		0	0	0
Equity	13	4,831	4,499	4,468
Liabilities				
Deposits from other banks	14	5,670	4,459	9,919
Due to customers	15	82,223	75,279	64,365
Negative fair value of derivatives	16	2,092	1,956	1,476
Income tax liabilities	17	3	1	0
Deferred tax liabilities	18	337	318	697
Non-current provisions	19	52	50	58
Other liabilities	20	1,125	1,191	974
Total equity and liabilities		96,333	87,753	81,957

4.2 Consolidated income statement

		2010 € m	2009 € m
Interest income		2.726	2.859
Interest expense		– 1.598	– 2.044
Net interest income	29	1.128	815
Fee and commission income		139	117
Fee and commission expense		– 96	– 71
Net fee and commission income	30	43	46
Net gains/losses on measurement of derivatives and hedged items	31	21	– 46
Other net gains/losses on financial investments and investment property	32	– 34	60
Other income	33	6	5
Total income		1.164	880
Risk provision	34	127	98
Amortization and write-downs of intangible assets	35	3	3
Staff costs	36	186	181
Other administrative expenses	37	354	318
Total expenses		670	600
Profit before tax		494	280
Income tax	38	– 149	– 78
Profit after tax		345	202

4.3

Consolidated statement of comprehensive income

4.3 Consolidated statement of comprehensive income

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

		Amount before tax 2009 € m	Income tax 2009 € m	Amount after tax 2009 € m
Profit after tax				202
Other comprehensive income				
Measurement of available-for-sale financial investments	5, 13	22	7	15
Realized gains and losses transferred to the income statement	32, 13	– 65	– 21	– 44
Change in the cash flow hedge reserve	22, 13	– 1	0	– 1
Other remeasurements	5, 13	0	0	0
Valuation of land		0	0	0
Actuarial gains/losses from defined benefit pension plans	19	0	0	0
Consolidated other comprehensive income		– 44	– 14	– 30
Total comprehensive income				172

4.4 Consolidated statement of changes in equity

	Subscribed capital € m	Capital reserve € m	Other reserves € m	Total € m
Consolidated equity as of Jan. 1, 2010	100	– 127	4,526	4,499
Remeasurement of available-for-sale financial investments after tax	0	0	43	43
Realized gains/losses transferred to the income statement	0	0	22	22
Changes in the cash flow hedge reserve after tax	0	0	13	13
Other remeasurements	0	0	0	0
Other comprehensive income	0	0	78	78
Adjusted balance as of Jan. 1, 2010	100	– 127	4,604	4,577
Other changes	0	0	1	1
Changes in the Group structure	0	0	0	0
Profit transfer	0	0	– 290	– 290
Contribution from tax group (push-down method)	0	0	200	200
Profit after tax	0	0	345	345
Consolidated equity as of Dec. 31, 2010	100	– 127	4,858	4,831

	Issued capital € m	Share premium € m	Other reserves € m	Total € m
Consolidated equity as of Jan. 1, 2009	100	– 127	4,494	4,468
Remeasurement of available-for-sale financial investments after tax	0	0	15	15
Realized gains/losses transferred to the income statement	0	0	– 44	– 44
Changes in the cash flow hedge reserve after tax	0	0	– 1	– 1
Other remeasurements	0	0	0	0
Other comprehensive income	0	0	– 30	– 30
Adjusted balance as of Jan. 1, 2009	100	– 127	4,464	4,438
Other changes	0	0	4	4
Changes in the Group structure	0	0	0	0
Profit transfer	0	0	– 286	– 286
Contribution from tax group (push-down method)	0	0	142	142
Profit after tax	0	0	202	202
Consolidated equity as of Dec. 31, 2009	100	– 127	4,526	4,499

4.4 Consolidated statement of changes in equity

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

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

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

4.5 Consolidated statement of cash flows

	12/31/2010 € m	12/31/2009 € m
Profit before tax	494	280
Non-cash items included in profit before tax and reconciliation to cash flow from operating activities		
Depreciation and write-downs of property and equipment, write-downs of loans and advances and financial investments, and reversals of impairment losses on these items	211	161
Increase in provisions	48	51
Gains or losses on disposal of property and equipment	34	– 61
Other noncash expenses and income	– 21	47
Subtotal	767	479
Cash changes in operating assets and liabilities		
Loans and advances to banks	– 1,774	– 1,349
Loans and advances to customers	– 6,732	– 4,594
Other operating assets	– 134	559
Positive and negative fair values of derivatives	– 18	– 52
Deposits from other banks	1,229	– 4,909
Due to customers	6,945	10,914
Other operating liabilities	32	– 342
Net cash flows from operating activities	314	707

Continued on next page

	12/31/2010 € m	12/31/2009 € m
Investing activities		
Proceeds from the disposal or maturity of securities	4,840	6,152
Payments for investments in		
Financial investments	– 4,340	– 4,218
Property and equipment	– 5	– 10
Intangible assets	– 12	– 19
Net cash flows from investing activities	484	1,905
Financing activities		
Payments to shareholders	– 286	– 128
Net cash used in financing activities	– 286	– 128
Net cash flow	511	2,484
Cash and cash equivalents at start of period	4,488	2,004
Cash and cash equivalents at end of period	4,999	4,488

The statement of cash flows is explained in note 40.

4.6 Notes to the IFRS consolidated financial statements

4.6.1 General information

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

Its business is primarily focused on direct banking with retail customers (retail business).

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

The Company operates a branch in Vienna/Austria, trading as ING Direktbank Austria.

The Company's operation in Germany has offices in Frankfurt am Main, Nuremberg, and Hanover.

ING-DiBa AG is the parent company of a subgroup, which includes subsidiaries. All companies in the subgroup are domiciled in Germany. The activities of the subsidiaries are focused on property and asset management; none of them operates banking business.

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

ING-DiBa AG is not listed on the stock exchange.

The Management Board will approve the consolidated financial statements of ING-DiBa for publication subsequent to their approval by the Supervisory Board on May 19, 2011.

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

In accordance with section 291 HGB, ING-DiBa did not prepare consolidated financial statements for the subgroup as of December 31, 2009. Up to that date, the exempting consolidated financial statements in accordance with section 2(1) of the German Regulation on the Exemption from the Preparation of Consolidated Financial Statements (Konzernabschlussbefreiungsverordnung, "Kon-BefrV") had been prepared by ING Bank

N.V., Amsterdam/the Netherlands, and published in German in the electronic Federal Gazette in accordance with section 291(1) HGB in conjunction with section 325 HGB.

In fiscal year 2011, ING-DiBa will issue its first mortgage bond (Pfandbrief) on the market and thus acquire the status of a capital-market-oriented company under German commercial law.

The Bank's objective of achieving a capital market orientation resulted in the preparation of consolidated financial statements for the subgroup for the first time as of December 31, 2010.

These consolidated financial statements for the subgroup for the fiscal year ended December 31, 2010 were prepared on the basis of Regulation 809/2004 (EC) dated April 29, 2004 in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union. In addition, the commercial law provisions in accordance with section 315a (1) HGB in conjunction with article 57 no. 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch, "EGHGB") were also applied. ING-DiBa is therefore a first-time adopter of IFRSs in accordance with IFRS 1.3.

The subgroup’s transition date to IFRSs is after that of the ultimate parent company, ING Groep N.V., Amsterdam. Since international financial reporting was based on IFRS even before 2009, the option of applying IFRS 1.D16 (a) has been exercised. The IFRS accounts that had previously been kept solely for the purpose of consolidation thus form the basis for the opening IFRS statement of financial position of the ING-DiBa subgroup.

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

This report also contains a report on operating segments and the subgroup’s management report required under German commercial law.

The risk report in accordance with IFRS 7.31-42 is largely integrated into the risk report included in the group management report.

The consolidated financial statements are presented in euros. Unless otherwise indicated, all figures are shown in millions of euros (€ m). Tables in the notes may contain rounding differences.

In addition to previous-year figures, the statement of financial position also shows the figures of the opening IFRS statement of financial position as of January 1, 2009.

4.6.2 Significant accounting policies

4.6.2 Significant accounting policies

Consolidation

Basis of consolidation

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

	12/31/2010 Equity interest (%) held directly	12/31/2010 Equity interest (%) held indirectly	12/31/2009 Equity interest (%) held directly	12/31/2009 Equity interest (%) held indirectly
GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH, Frankfurt am Main	90	10	90	10
ABK Beteilligungsgesellschaft B.V. & Co. KG, Frankfurt am Main	100	0	100	0
ING-DiBa Service GmbH, Frankfurt am Main	100	0	100	0
Pure German Lion RMBS 2008 GmbH, Frankfurt am Main	0	0	0	0
Ingredit Verwaltungs GmbH, Frankfurt am Main	100	0	100	0
Ingredit Projekt GmbH & Co. KG, Frankfurt am Main	0	0	0	100
Helophant Portfolio GmbH, Frankfurt am Main	0	100	0	100
Helophant Portfolio II GmbH, Frankfurt am Main	0	100	0	100

ING-DiBa AG holds 100% of the shares in GGV Gesellschaft für Grundstücks- und Vermögensverwaltung B.V. & Co. KG, of which 10% indirectly through ABK Beteiligungsgesellschaft B.V. & Co. KG.

ING-DiBa AG is the sole limited partner of ABK Beteiligungsgesellschaft B.V. & Co. KG. It holds all the entity's equity and has control over the entity as defined in IAS 27.4.

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

The special purpose entity is also included in the subgroup consolidated financial statements in accordance with SIC-12. ING-DiBa does not hold any interest in the entity. As a result of full consolidation, a non-controlling interest is reported under equity, which represents the shares in Pure German Lion RMBS 2008 GmbH, Frankfurt am Main, amounting to EUR 25 thousand. For more information on equity and special purpose entities, see notes 13 and 26.

ING-DiBa AG holds all shares in Ingredit Verwaltungs GmbH. The company was the sole general partner of Ingredit Projekt GmbH & Co. KG. ING-DiBa AG was the sole limited partner of this com-pany. Ingredit Projekt GmbH & Co. KG was wound up in fiscal year 2010.

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

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

Consolidation methods

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

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

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

Intra-Group balances, transactions, and profits are eliminated.

Business relations between entities included in consolidation and any resulting receivables and liabilities as well as expenses and income are eliminated as part of consolidation accounting.

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

4.6.2 Significant accounting policies

Basis of presentation

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

Recognition, measurement, and disclosure are applied consistently.

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

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

If decisions based on management judgment change, the relevant adjustments are made.

Financial instruments

Financial assets and financial liabilities

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

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

- Cash reserve
- Loans and advances to banks
- Loans and advances to customers
- Financial investments
- Positive fair value of derivatives
- Deposits from banks
- Due to customers
- Negative fair value of derivatives

Date of recognition

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

Derecognition

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

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

4.6.2 Significant accounting policies

However, if the subgroup retains control even after transfer, the financial instrument is recognized to the extent the subgroup has retained control (continuing involvement).

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

Offsetting

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

Initial recognition

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

Categorization and subsequent measurement of financial assets

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

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

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

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

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

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

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

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

The resulting measurement gains or losses are included in the measurement gains or losses caption (note 31), but the associated interest income and expense is reported under net interest income (note 29).

The respective derivatives are reported under "Positive fair value of derivatives" (note 6) or "Negative fair value of derivatives" (note 16).

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

Held-to-maturity (HtM) investments

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

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

The interest calculated in this way is recognized under net interest income (note 29).

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

Loans and Receivables (LaR)

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

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

4.6.2 Significant accounting policies

The interest income is allocated to the period in which it accrues; it is recognized under net interest income (note 29). The loans and receivables category includes in particular balances with central banks under the cash reserve (note 1), loans and advances to customers (note 3), and loans and advances to banks (note 2).

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

Available-for-sale (AfS) financial assets

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

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

Note 13 provides information on changes in the revaluation reserve.

As soon as AfS financial instruments are derecognized or written down for impairment, the changes in fair value accumulated up to then in the revaluation reserve are reclassified to other gains/losses on financial investments and investment property (note 32).

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

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

Dividends from AfS equity investments are recognized under other gains or losses on financial investments and investment property (note 32).

Reclassifications

The general rule is that financial instruments have to be allocated to one of the categories defined in IAS 39.9 on initial recognition and kept in this category for subsequent measurement. IAS 39 permits reclassifications from one financial instrument category to another only in a few exceptional circumstances. Reclassifications made in fiscal year 2010 are explained in note 5.

Financial liabilities

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

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

In ING-DiBa's subgroup consolidated financial statements, the financial liabilities subsequently measured at amortized cost are reported under deposits from banks (note 14), due to customers (note 15), and other liabilities (note 20).

Valuation techniques

Fair value measurement

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

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

Note 28 provides comments on the methods used.

Amortized cost and effective interest method

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

4.6.2 Significant accounting policies

amount of the financial instrument through the expected life of this instrument, taking into account all relevant transaction costs, fees, premiums and discounts.

Risk provision and impairment

Method

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

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

This results in a two-level impairment process.

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

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

An allowance has to be recognized for a financial asset or group of assets, if objective indications point to future events after initial recognition that threaten to negatively affect the future cash flows from the respective financial instruments. It must be possible to estimate the future impact sufficiently reliably.

Indications may include:

- There is an increased probability that the counterparty will become insolvent or start financial reconstruction proceedings;
- there is already delay or default on interest or principal payments;

- the counterparty is in considerable financial difficulties, which indicate that future cash flows may be negatively impacted;
- based on experience and current data, there are clear indications that part of a group of financial assets is substantively impaired, although it is too soon for the internal risk management system to capture these impairment triggers.

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

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

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

To determine the amount of impairment allowance to be recognized on a portfolio basis, financial instruments with similar risk structures are combined. In this process, the risk profile provides information on the current counterparty risk, and thus on the probability with which the counter-party will be able to generate the contractually agreed cash flows. The portfolio analysis includes a period analysis of the default probabilities, which takes into account the intervening period that has to be considered between the occurrence of the impairment trigger and its detection by the risk management system. This method ensures that impairment triggers that have already occurred but not yet been identified are adequately reflected in the risk provision.

Allowances for losses on loans and advances to customers are deducted from assets. Uncollectible loans and advances are written off. Recoveries on loans and advances previously written off are recognized in the income statement.

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

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

4.6.2 Significant accounting policies

In the case of AfS equity instruments, an impairment allowance is recognized if there are sufficient grounds to assume that their cost can no longer be recovered.

Impairment allowances on financial investments are deducted from the assets (note 5).

Derivative financial instruments

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

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

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

OTC derivatives are subjected to regular fair value measurements at level 2 (note 28).

Unless the derivatives are designated as hedging instruments, changes in fair value are fully rec-ognized in the income statement. These financial instruments are reported under positive or negative fair value of derivatives, as appropriate (notes 6 and 16).

Embedded derivatives

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

Hedge accounting

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

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

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

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

The hedged items continue to be reported under the respective captions in the statement of financial position, because the nature and function of the hedged item are not affected by the hedging relationship. Note 22 shows the derivatives broken down by type of hedge. The interest accrued on hedged items and hedging instruments is netted and recognized under net interest income (note 29).

Fair Value Hedge Accounting

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

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

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

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

For hedges that are 100% effective, the net effect of this process is zero.

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

Fair value hedging of interest rate risks is performed for both individual items (micro hedging) and for portfolios (fair value portfolio hedging). In such cases, individual items of the portfolio are not designated as items to be hedged. The effectiveness tests are

4.6.2 Significant accounting policies

conducted on the basis of assigned maturity bands. The amount to be hedged and the hedging instruments are designated in each case for the duration of a hedging period. Under micro hedging, changes in the fair value of the hedged item which are attributable to the hedged interest rate risks are allocated to the individual assets as a fair value adjustment. Under fair value portfolio hedging, fair value adjustments are recognized separately in the statement of financial position under adjustment to portfolio fair value hedges (note 4).

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

Cash Flow Hedge Accounting

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

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

The hedging instruments are recognized at their fair values. The portion of the fair value changes of the hedged items that is effective in relation to the hedged risk is recognized directly in the revaluation reserve for cash flow hedges under equity (notes 13 and 22). Hedge ineffectiveness is the quantification of the difference between the accumulated changes in the fair value of the hedge derivative used and the changes in the fair value of a hypothetically perfect hedge. If the cash flow hedge is not 100% effective, but falls within the effectiveness range required by IAS 39, the amount recognized in the equity account is the lower of the accumulated changes in the fair value of the hedging instruments and the hedged cash flows.

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

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

For more information on hedge accounting, see notes 22 and 31.

Repo and reverse repo transactions

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

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

Contingent liabilities and other obligations

Contingent liabilities and other obligations are reported off the statement of financial position, in the notes to the IFRS financial statements (note 23). They relate primarily to irrevocable loan commitments, guarantees from customer business, as well as a liability from the provision of collateral for third-party liabilities. The probability that these events will occur is estimated at less than 50%, expect for the irrevocable loan commitments. The estimated settlement amounts are disclosed in the notes. They normally correspond to the nominal amounts.

Classes of financial instruments under IFRS 7

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

Financial instruments are classified by captions on the statement of financial position. Where necessary, captions are further subdivided by measurement categories. Wherever appropriate, individual items are aggregated or further broken down under line items in the statement of financial position.

Financial guarantees, loan commitments and derivatives used as hedges are presented as a class of their own.

Other line items in the statement of financial position

Investment property

Investment property refers to land and buildings leased to third parties. It also includes bail-out purchases, although the Bank only holds a very small number of such properties.

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No property or equipment was reassigned from or to Group-occupied property and equipment in the fiscal years under review.

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

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

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

Group-occupied property and equipment

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

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

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

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

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

Intangible assets

Intangible assets relate almost exclusively to software and software licenses.

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

ING-DiBa has both purchased and internally generated intangible assets. They are initially recognized at cost and subsequently measured at amortized cost. Useful lives of three years are normally assumed for software. Intangible assets are amortized pro rata. Amortization expense is included in "Other administrative expenses" in the notes to the consolidated income statement (note 37).

Impairment of property and equipment and intangible assets

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

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

If there are indications of impairment, the recoverable amount is determined and compared with the carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognized. The recoverable amount is defined as the higher

4.6.2 Significant accounting policies

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

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

Tax items

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

In accordance with the substance over form principle, both current and deferred income tax is allocated to the entity that incurs the tax, i.e., ING-DiBa AG, in the IFRS subgroup consolidated financial statements. In this area, for which IFRSs do not provide any guidance, ING-DiBa thus follows the interpretation of SFAS 169-60 (US GAAP).

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

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

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

The tax assets (note 10) and tax liabilities (note 17) items comprise current tax assets and liabilities for the current and previous fiscal years.

Future, and therefore deferred, tax effects arising from changes in carrying amounts are reported under deferred tax assets (note 11) and deferred tax liabilities (note 18). The deferred tax effect is estimated on the basis of temporary differences between the tax base and the carrying amount in the IFRS statement of financial position, to which the operation's particular average tax rate is applied.

Depending on the treatment of the underlying item, deferred taxes are taken directly to the respective equity account or recognized in profit or loss. If they are recognized in profit or loss, they are reported under income tax (note 38) in the income statement.

Other assets

The other assets account (note 12) is used for accrued interest, accruals, and other loans and advances. Accrued interest refers to the presentation of interest on derivatives and securities in the period to which it relates. It is determined on the basis of the effective interest method.

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

Provisions

Pension provisions (note 19) are recognized according to the projected unit credit method for defined benefit pension plans. The calculation takes into account not only the present value of pension entitlements earned, but also the as yet unrealized actuarial gains and losses arising from changes in the calculation parameters and irregularities in the risk development. There are no plan assets to be considered. The actuarial gains and losses are treated in accordance with IAS 19.92. Under this method, known as the "corridor method", actuarial gains and losses are only recognized as income or expense if their total as of the end of the reporting period exceeds the threshold of 10% of the present value of the defined benefit obligation. The excess amount is amortized over the remaining working lives of employees and recognized in income.

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

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

In addition to personnel provisions, there is a small amount of non-current provisions (note 19). The amount provided for is based on the best estimate of the settlement amount. Provisions are only discounted, using interest rates for items with matching maturities applicable as of the end of the reporting period if the interest effect is material. Interest cost from the unwinding of the discount is in such cases reported under net interest income (note 29). The interest effect is immaterial in the periods under review, which means that no interest cost had to be added back to other non-current provisions.

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Other liabilities

Other liabilities include above all interest accrued on derivatives and other financial liabilities and allocated over the relevant periods.

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

Income statement items

Net interest income

Interest income and expense (note 29) is recognized in profit or loss for the period. For loans and advances on which impairment allowances have been recognized, the discount applied to arrive at the present value as of the end of the subsequent reporting period is unwound through interest income.

Net commission income

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

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

Net commission income is explained in note 30.

Gains/losses on measurement of derivatives and hedged items

The gains/losses on measurement of derivatives and hedged items (note 31) include the changes in fair value from the measurement of derivatives (whether or not they are designated as hedges) as well as of hedged items.

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

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

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

Additional information

Leasing obligations

ING-DiBa AG only operates as lessor. All leases are classified as operating leases. The useful lives of the leased assets, market price assumptions, and discount rates are subject to management judgment. Lease installments are recognized under other administrative expenses. Note 25 provides a summary of expected future lease installments.

Disclosures related to commercial law

Where the notes to the IFRS financial statements require additional disclosures because of the German Commercial Code, they are made on the basis of figures determined according to IFRS. This applies in particular to the different presentations of payments to members of executive bodies (note 27) and disclosures of auditors' fees (note 37).

Material estimates and uses of judgment

Estimates and judgment used in fair value measurement

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

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

Plausibility checks are made to ensure that the measurements lead to reasonable fair values and have the appropriate effect on the operating profit or loss. A price testing method is used to minimize the risk of implementing substantively incorrect or wrongly applied procedures.

Estimates and judgment used to determine risk provision and impairment

The measurement of impairment allowances requires a considerable amount of assessments that management has to make in relation to, among other things, the overall portfolio risk, current market developments, experience gathered in past periods, and future

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trends. Over time, these assessments may be subject to change and require the impairment allowance to be adjusted.

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

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

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

Other material estimates and uses of judgment

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

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

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

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

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

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

For other provisions, estimates and judgment-based decisions relate in particular to probabilities and settlement amounts.

Disclosures relating to changes in reporting standards

The following Standards, Interpretations, and Amendments to existing Standards are applicable as of fiscal year 2010:

Standard	Last amended	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IAS 1	rev. 2009	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2009	Jan. 1, 2010	Mar. 24, 2010
IAS 7	rev. 2009	Statements of Cash Flows	Kapitalflussrechnungen	Jan. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IAS 17	rev. 2009	Leases	Leasingverhältnisse	Jan. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IAS 27	rev. 2008	Consolidated and Separate Financial Statements	Konzern- u. Einzelabschlüsse	Jul. 1, 2009	Jul. 1, 2009	Jun. 12, 2009
IAS 36	rev. 2009	Impairment of Assets	Wertminderung von Vermögenswerten	Jan. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IAS 38	rev. 2009	Intangible Assets	Immaterielle Vermögenswerte	Jul. 1, 2009	Jul. 1, 2009	Mar. 24, 2010
IAS 39	rev. 2008	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jul. 1, 2009	Jul. 1, 2009	Sep. 16, 2009
IAS 39	rev. 2009	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IFRS 1	rev. 2008	First-time Adoption of IFRS	Erstmalige Anwendung der IFRS	Jul. 1, 2009	Jan. 1, 2010	Nov. 26, 2009
IFRS 1, amendment: additional exemptions for first-time adopters	rev. 2008	First-time Adoption of IFRS	Erstmalige Anwendung der IFRS	Jan. 1, 2010	Jan. 1, 2010	Jul. 24, 2010

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Standard	Last amended	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IFRS 2 and IFRIC 11	rev. 2009	Share-based Payment; Group and Treasury Share Transactions	Anteilsbasierte Vergütungen; Geschäfte mit eigenen Aktien und Aktien von Konzernunternehmen	Jan. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IFRS 3	rev. 2008	Business Combinations	Unternehmenszusammenschlüsse	Jul. 1, 2009	Jul. 1, 2009	Jun. 12, 2009
IFRS 5	rev. 2009	Non-current Assets Held for Sale and Discontinued Operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jul. 1, 2009	Jan. 1, 2010	Mar. 24, 2010
IFRS 8	rev. 2009	Operating Segments	Geschäftssegmente	Jan. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IFRIC 9	rev. 2009	Reassessment of Embedded Derivatives	Neubeurteilung eingebetteter Derivate	Jul. 1, 2010	Jan. 1, 2010	Mar. 24, 2010
IFRIC 12	rev. 2008	Service Concession Arrangements	Dienstleistungskonzessionsvereinbarungen	Jan. 1, 2008	30.03.2009	26.03.2009
IFRIC 15	issued 2008	Agreements for the Construction of Real Estate	Verträge über die Errichtung von Immobilien	Jan. 1, 2009	Jan. 1, 2010	Jul. 23, 2009
IFRIC 16	rev. 2009	Hedges of a Net Investment in a Foreign Operation	Absicherung einer Nettoinvestition in einen ausländischen Geschäftsbetrieb	01.10.2008	Jul. 1, 2009	Jun. 5, 2009
IFRIC 17	rev. 2008	Distributions of Non-cash Assets to Owners	Sachdividenden an Eigentümer	Jul. 1, 2009	Nov. 1, 2009	Nov. 27, 2009
IFRIC 18	issued 2009	Transfers of Assets from Customers	Übertragung von Vermögenswerten durch einen Kunden	Jul. 1, 2009	Nov. 1, 2009	Dec. 1, 2009

No material impact on equity or profit or loss for the year can be detected as a result of these changes.

The following Standards and revised Standards have already been adopted into EU law and are relevant as follows for future reporting periods. None of these Standards have been applied early.

Standard	Last amended	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IAS 1	rev. 2010	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2011	Jan. 1, 2011	Feb. 19, 2011
IAS 21	rev. 2010	The Effects of Changes in Foreign Exchange Rates	Auswirkungen von Wechselkursänderungen	Jul. 1, 2010	Jul. 1, 2010	Feb. 19, 2011
IAS 24	rev. 2009	Related Party Disclosures	Angaben über Beziehungen zu nahe stehenden Unternehmen und Personen	Jan. 1, 2011	Jan. 1, 2011	Jul. 20, 2010
IAS 28	rev. 2010	Investments in Associates	Anteile an assoziierten Unternehmen	Jul. 1, 2010	Jul. 1, 2010	Feb. 19, 2011
IAS 31	rev. 2010	Interests in Joint Ventures	Anteile an Gemeinschaftsunternehmen	Jul. 1, 2010	Jul. 1, 2010	Feb. 19, 2011
IAS 32	rev. 2009	Financial Instruments: Presentation	Finanzinstrumente: Darstellung	Feb. 1, 2010	Feb. 1, 2010	Dec. 24, 2009
IAS 32	rev. 2010	Financial Instruments: Presentation	Finanzinstrumente: Darstellung	Jul. 1, 2010	Jul. 1, 2010	Feb. 19, 2011
IAS 34	rev. 2010	Interim Financial Reporting	Zwischenberichterstattung	Jan. 1, 2011	Jan. 1, 2011	Feb. 19, 2011
IAS 39	rev. 2010	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jul. 1, 2010	Jul. 1, 2010	Feb. 19, 2011

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Standard	Last amended	English title	German title	Date application becomes mandatory (IASB)	Date application becomes mandatory (EU)	Published in the Official Journal of the European Union
IFRS 1	rev. 2010	First-time Adoption of IFRS	Erstmalige Anwendung der IFRS	Jul. 1, 2010	Jul. 1, 2010	Jul. 1, 2010
IFRS 1	rev. 2010	First-time Adoption of IFRS	Erstmalige Anwendung der IFRS	Jan. 1, 2011	Jan. 1, 2011	Feb. 19, 2011
IFRS 3	rev. 2010	Business Combinations	Unternehmenszusammenschlüsse	Jul. 1, 2010	Jul. 1, 2010	Feb. 19, 2011
IFRS 3	rev. 2008	Business Combinations	Unternehmenszusammenschlüsse	Jul. 1, 2009	Jul. 1, 2009	Jun. 12, 2009
IFRS 7	rev. 2010	Financial Instruments: Disclosure	Finanzinstrumente: Angaben	Jul. 1, 2010	Jul. 1, 2010 or Jan. 1, 2011	Feb. 19, 2011
IFRIC 13	rev. 2010	Customer Loyalty Programmes	Kundenbindungsprogramme	Jan. 1, 2011	Jan. 1, 2011	Feb. 19, 2011
IFRIC 14	rev. 2009	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IAS 19 – Die Begrenzung eines leistungsorientierten Vermögenswertes, Mindestdotierungsverpflichtungen und ihre Wechselwirkung	Jan. 1, 2011	Jan. 1, 2011	Jul. 20, 2010
IFRIC 19	issued 2009	Extinguishing Financial Liabilities with Equity Instruments	Tilgung finanzieller Verbindlichkeiten durch Eigenkapitalinstrumente	Jul. 1, 2010	Jul. 1, 2010	Jul. 24, 2010

The changes as a result of IAS 24 rev. 2009 relate to, among other things, the definition of related parties and the definition of transactions to be disclosed. This version of the Standard will be applicable to fiscal years from 2011 onward. No material impact is expected from today's perspective.

The "Improvements to IFRSs" presented on May 6, 2010 are a regularly published collection of minor, less urgent improvements to individual IFRSs. This collection was adopted into European law on the basis of Commission Regulation (EC) No. 149/2011 of February 18, 2011, published in the EU Official Journal on February 19, 2011. The amendments affect in particular IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34, and IFRIC 13. An impact on the reporting format of ING-DiBa is above all expected from IFRS 7 and IAS 1. The amendments to IFRSs relate primarily to clarifying the guidance on risk reporting under IFRS 7.31 et seq. The revised IAS 1 affects, among other things, the presentation of the statement of changes in equity and the analysis of other comprehensive income. From today's perspective, it is not expected that either the approved collection of improvements or the other amendments will have a material impact on the substance or amount of items recognized in the financial statements.

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

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

In April 2009, the IASB presented a time schedule for completely revising IAS 39 in three phases. As a result, IAS 39 will be replaced by IFRS 9 by 2013. In the first phase, the guidance on the classification and measurement of financial assets was revised and the IASB has now published the approved revisions in the new IFRS 9. In November 2009, the European Financial Reporting Advisory Group (EFRAG) postponed its endorsement advice for adoption of the new Standard into European law to allow it to consider the result of the project as a whole. It is therefore not expected that the application of IFRS 9 will become mandatory before the 2013 fiscal year.

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

The starting points for classification are the criteria of the "at amortized cost" category. This means that financial assets can only be measured at amortized cost if the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows. Another condition is that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The interest must reflect the time value of money and the credit risk. Financial assets that do not meet these criteria must be measured at fair value. Changes in value must be fully recognized in profit or loss. There are exceptions for equity instruments. Measurement gains and losses for these instruments may optionally be recognized under equity. In spite of this, the entity may still choose to use the fair value option, but under different conditions.

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

For financial liabilities for which the fair value option has been exercised, changes in value will have to be analyzed into components according to cause. Any change in fair value triggered by the entity's own credit risk are recognized in other comprehensive income,

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i.e., directly in equity, unless this presentation would lead to an accounting mismatch. Changes in value not resulting from the entity's own credit risk will still be recognized through profit or loss under IFRS 9, as was the case before.

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

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

In addition, the IASB published amendments to IFRS 7 – Financial Instruments: Disclosures – on October 7, 2010. They are expected to be adopted into EU law in the second quarter of 2011. The revised version of the IFRS has been expanded in relation to transferred financial instruments. Since the amendments only relate to disclosure requirements, the implementation of the revised IFRS 7 will not have any material impact.

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

Events after the end of the reporting period

In 2011, the Bank intends to legally integrate the German branch of ING Bank N.V., Amsterdam, into ING-DiBa. The financial impact of this transaction on the operating results of the periods under review is estimated to be negligible.

4.6.3 Notes to the consolidated statement of financial position

(1) Cash reserve

	12/31/2010 € m	12/31/2009 € m
Cash	92	106
Balances with central banks	1,325	1,374
Total	1,417	1,481

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

(2) Loans and advances to banks

	12/31/2010 € m	12/31/2009 € m
Payable on demand	2,197	2,236
Other loans and advances	6,512	4,140
Allowance	0	0
Total	8,709	6,377

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

It is expected that, of the loans and advances to banks as of December 31, 2010, an amount of EUR 1,972 million will only be realized or settled after 12 months (December 31, 2009: EUR 1,978 million).

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

The loans and advances to banks include cash collateral provided for repo transactions of EUR 4 million (December 31, 2009: EUR 1 million) and for derivatives (note 6) of EUR 2,170 million (December 31, 2009: EUR 2,214 million).

Subordinated loans and advances

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

4.6.3

Notes to the consolidated statement of financial position

Receivables from reverse repo transactions

Loans and advances to banks also include receivables from reverse repo transactions. They are in each case related to securities lodged as collateral (note 5). At the end of the year under review (December 31, 2010), they amounted to EUR 4,109 million (December 31, 2009: EUR 1,486 million). For more information on repo transactions, refer to notes 5 and 14.

Significant individual loans

In the periods under review, there were no lending relationships that, due to their contractual arrangements, could have a significant impact on the amount, period, or security of the bank-specific cash flows.

For detailed information, see the risk reporting in the Group management report.

(3) Loans and advances to customers

	12/31/2010 € m	12/31/2009 € m
Real estate finance	51,550	47,182
Consumer loans	2,839	2,560
Public sector loans and other loans and advances	5,294	3,630
Asset Backed Securities (ABS) / Mortgage Backed Securities (MBS)	3,485	3,114
Loans and advances to customers before risk provision	63,168	56,486
Portfolio-based valuation allowances	– 112	– 82
Specific valuation allowances including portfolio valuation allowances	– 361	– 314
Loans and advances to customers after risk provision	62,694	56,090

It is expected that, of the loans and advances to customers as of December 31, 2010, an amount of EUR 55,387 million will not be realized or settled within 12 months (December 31, 2009: EUR 49,347 million).

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

The item includes cash collateral provided for derivatives (notes 6 and 16) of EUR 24 million (December 31, 2009: EUR 27 million). No cash collateral had been issued for repo transactions as of the end of the reporting period.

The loans and advances to customers included a volume of EUR 1,646 million (December 31, 2009: EUR 989 million) as part of transactions with the KfW development bank.

Accrued interest on ABS and MBS is reported under other assets (note 12).

Allowances for losses on loans

	12/31/2010 € m	12/31/2009 € m
Real estate finance	– 335	– 268
Consumer loans	– 138	– 128
Public sector loans and other loans and advances	– 0	– 0
Mortgage Backed Securities	0	0
Total	– 473	– 396
Loans and advances to customers before risk provision	63,168	56,486
Risk provision	– 473	– 396
Loans and advances to customers after risk provision	62,694	56,090

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

Changes in allowances for losses and advances to customers

	Portfolio-based valuation allowances 2010 € m	Specific valuation allowances including portfolio valuation allowances 2010 € m	Total 2010 € m
Balance on 1/1	– 82	– 314	– 396
Utilization of existing valuation allowances	0	46	46
Additions to / disposals from risk provision	– 29	– 94	– 123
Other changes	– 2	1	– 0
Balance on 12/31	– 112	– 361	– 473

	2009 € m	2009 € m	2009 € m
Balance on 1/1	– 79	– 240	– 318
Utilization of existing valuation allowances	0	23	23
Additions to / disposals from risk provision	– 3	– 97	– 100
Other changes	0	0	0
Balance on 12/31	– 82	– 314	– 396

Expenses of EUR 127 million arising from risk provisions were recognized in the income statement (previous year: EUR 98 million). They are disclosed in note 34.

(4) Adjustment to portfolio fair value hedges

	12/31/2010 € m	12/31/2009 € m
Adjustment to portfolio fair value hedges	1,665	1,503
Total	1,665	1,503

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

Out of the adjustment to portfolio fair value hedges as of December 31, 2010, an amount of EUR 1,647 million is only expected to be realized or settled after 12 months (December 31, 2009: EUR 1,486 million).

(5) Financial investments

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

Financial investments

	12/31/2010 € m	12/31/2009 € m
Available for Sale		
Bonds and other fixed-income securities	13,177	11,293
Equity investments	1	1
Total AfS	13,178	11,294
Held to Maturity		
Bonds and other fixed-income securities	7,099	9,530
Total HtM	7,099	9,530
Total	20,277	20,824

In the fiscal years under review, financial investments included equity investments that are of minor importance to the Group's economic position. The equity investments are not listed. Since their fair values cannot be reliably determined, they are recognized at cost.

There were no allocations to the trading book.

Out of the available-for-sale financial investments as of December 31, 2010, EUR 11,568 million was due after 12 months (December 31, 2009: EUR 9,370 million) and out of the held-to-maturity financial investments as of December 31, 2010, EUR 5,653 million (December 31, 2009 EUR 7,444 million) was due after 12 months; the amounts are expected to be realized or settled accordingly.

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

4.6.3

Notes to the consolidated statement of financial position

Changes in financial investments

	AfS securities 2010 € m	AfS equity investments 2010 € m	HtM securities 2010 € m	Total 2010 € m
Balance on 1/1	11,293	1	9,530	20,824
Additions	4,340	0	0	4,340
Amortization	– 39	0	– 14	– 53
Reclassifications	282	0	– 282	0
Changes in Group structure	0	0	0	0
Changes in revaluation reserve	6	0	0	6
Impairments and reversals	0	0	0	0
Disposals	– 792	0	– 51	– 842
Maturities	– 1,913	0	– 2,085	– 3,998
Currency translation differences	0	0	0	0
Balance on 12/31	13,177	1	7,099	20,277

	2009 € m	2009 € m	2009 € m	2009 € m
Balance on Jan. 1	11,971	1	10,828	22,801
Additions	4,218	0	0	4,218
Amortization	– 9	0	– 21	– 30
Reclassifications	0	0	0	0
Changes in Group structure	0	0	0	0
Changes in revaluation reserve	– 12	0	0	– 12
Impairments and reversals	0	0	0	0
Disposals	– 1,644	0	0	– 1,644
Maturities	– 3,231		– 1,278	– 4,508
Currency translation differences	0	0	0	0
Balance on Dec. 31	11,293	1	9,530	20,824

In fiscal year 2010, ING-DiBa reclassified securities amounting to EUR 282 million from the held-to-maturity to the available-for-sale category, after the credit rating of an EU member state, the Republic of Greece, had been significantly downgraded. Starting from the time of reclassification, the financial instruments affected were no longer measured at amortized cost, but at fair value. No reclassifications had been performed in the previous-year period.

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

Financial instruments transferred and pledged as collateral

	12/31/2010 € m	12/31/2009 € m
Repo transactions	101	169
Available for sale	0	109
Held to maturity	101	60
Securities loans	1,102	5,529
Available for sale	1,041	1,486
Held to maturity	61	4,043
Refinancing in the European Central Bank system	303	4,361
Available for sale	297	1,300
Held to maturity	6	1,616
Loans and receivables	0	1,446
EUREX-Margin Collateral	31	30
Available for sale	31	30
Total transferred	1,537	10,089
Total AfS financial instruments	13,178	11,294
of which transferred and pledged as collateral	1,369	2,925
Total HtM financial instruments	7,099	9,530
of which transferred and pledged as collateral	168	5,718
Total loans and receivables	3,485	3,114
of which transferred and pledged as collateral	0	1,446
Total transferred	1,537	10,089

The AfS and HtM instruments reported here are recognized under financial investments in the statement of financial position. All loans and receivables transferred and pledged as collateral in fiscal year 2009 related to loans and advances to customers.

The liabilities corresponding to the collateral are explained in note 14.

The basis for the repo transactions is primarily the framework agreement for securities repurchase transactions (repos) of the Bundesverband deutscher Banken (Association of German Banks) and the Banking Federation of the European Union Master Agreement for Financial Transactions/Transactions under Repurchase Agreements.

4.6.3 Notes to the consolidated statement of financial position

Securities lending transactions were exclusively entered into with companies of the ING Group.

The transactions with the European Central Bank System do not deviate from the procedure commonly used. Since fiscal year 2010, collateral has been provided in relation to individual transactions. Since there is no longer a globally pledged securities account, the collateralization volume has declined by EUR 4,095 million.

To allow customers unrestricted brokerage, ING-DiBa provided collateral of EUR 31 million to the EUREX trading platform as of December 31, 2010 (December 31, 2009: EUR 30 million).

In relation to the collateral listed, there are no clauses or conditions that are of material importance when considered separately.

Collateral held in accordance with IFRS 7.15

	12/31/2010 € m	12/31/2009 € m
Reverse repo transactions	4,109	1,476
Securities lending transactions	1,165	5,274

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

(6) Positive fair value of derivatives

	12/31/2010 € m	12/31/2009 € m
Derivatives		
Micro fair value hedges	61	0
Portfolio fair value hedges	149	61
Used in cash flow hedges	41	22
Other derivatives	161	240
Total	411	323

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

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

ING-DiBa only uses simply structured interest rate swaps. In accordance with IAS 39.9, they are allocated to the "at fair value through profit or loss" category. More information on derivatives and hedge accounting can be found in notes 16 and 22.

An amount of EUR 371 million (December 31, 2009: EUR 300 million) is expected to be realized or settled after 12 months.

The interest accrued on derivatives is reported under other assets (note 12) or under other liabilities (note 20)

(7) Investment property

ING-DiBa holds a small portfolio of properties that it does not use itself. If they generate rental income, this is recognized under other net income from financial investments and investment property (note 32).

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

Changes in investment properties

	12/31/2010 € m	12/31/2009 € m
Balance on 1/1	13	14
Additions	0	0
Changes in Group structure	0	0
Reclassifications to/from owner-occupied properties	0	– 0
Changes in fair value	0	– 1
Disposal	0	0
Balance on 12/31	13	13

All investment property is measured at fair value.

4.6.3

Notes to the consolidated statement of financial position

Status of external property valuation reports

	Percentage of FV of investment property
The most recent valuation report was prepared during the year	
2010	0 %
2009	100 %
Not appraised by external appraisers	0 %
Total	100 %

(8) Equipment and owner-occupied property

	12/31/2010 € m	12/31/2009 € m
IT facilities	12	18
Owner-occupied properties	14	14
Other property and equipment	16	20
Total	42	52

Changes in equipment and owner-occupied property

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

	2009 € m	2009 € m	2009 € m	2009 € m
Carrying amount on 1/1/2009	20	14	23	57
Additions	8	0	2	10
Changes in Group structure	0	0	0	0
Disposals	0	0	– 0	– 0
Depreciation	– 10	– 0	– 5	– 16
Impairments / reversals	0	0	0	0
Changes in fair value due to remeasurement	0	0	0	0
Reclassifications and other changes	0	0	0	0
Carrying amount on 12/31/2009	18	15	20	52
Gross carrying amount on 12/31/2009	81	18	47	145
Accumulated depreciation as of 12/31	– 63	– 3	– 27	– 92
Cumulative changes in fair value as of 12/31	0	– 1	0	0
Carrying amount on 12/31/2009	18	14	20	52

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

The following depreciation periods have been applied:

Summary of depreciation periods

	Depreciation periods in years
IT facilities	3 – 7
Owner-occupied properties	50
Other property and equipment	2 – 20

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

4.6.3 Notes to the consolidated statement of financial position

Their fair values are determined in the same way as those of investment properties, using the income capitalization approach. The latest external report for Group-occupied properties was issued on October 8, 2008.

	Fair value after remeasurement € m	Notional carrying amount under acquisition method € m
Owner-occupied property	14	18
Total	14	18

(9) Intangible assets

	12/31/2010 € m	12/31/2009 € m
Software	29	31
Other intangible assets	0	3
Total	29	33

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

Software and other intangible assets are subject to finite useful lives; they are measured according to the acquisition method and reduced pro rata by straight-line amortization. The useful life of software is normally 3 years.

Amortization expenses are recognized under other administrative expenses (note 37) in the income statement.

Any costs of internally generated software expensed through the income statement in accordance with IAS 38.54 and IAS 38.57 are also recognized under other administrative expenses (note 37). In fiscal year 2010, an amount of EUR 3.7 million was expensed (previous year: EUR 0 million).

Changes in intangible assets

	Software 2010 € m	Goodwill 2010 € m	Other Intangible assets 2010 € m	Total 2010 € m
Carrying amount on 1/1	31	0	3	33
Additions	12	0	0	12
Changes in Group structure	0	0	0	0
Disposals	0	0	0	0
Amortization	– 13		– 3	– 16
Impairments / reversals	0	0	0	0
Reclassifications and other changes	0	0	0	0
Carrying amount on 12/31	29	0	0	29
Gross carrying amount on 12/31	99	0	9	107
Accumulated amortization as of 12/31	– 69	0	– 9	– 78
Carrying amount on 12/31	29	0	0	29

	2009 € m	2009 € m	2009 € m	2009 € m
Carrying amount on 1/1	26	0	5	32
Additions	19	0	0	19
Changes in Group structure	0	0	0	0
Disposals	0	0	0	0
Amortization	– 15	0	– 3	– 17
Impairments / reversals	0	0	0	0
Reclassifications and other changes	0	0	0	0
Carrying amount on 12/31	31	0	3	33
Gross carrying amount on 12/31	88	0	9	97
Accumulated amortization as of 12/31	– 58	0	– 6	– 64
Carrying amount on 12/31	31	0	3	33

Additions to software can be analyzed into internally generated software at EUR 4 million (previous year: EUR 1 million) and individually acquired software at EUR 8 million (previous year: EUR 18 million).

4.6.3 Notes to the consolidated statement of financial position

(10) Income tax assets

	12/31/2010 € m	12/31/2009 € m
Income tax assets	3	1

Any income tax assets are due within 12 months.

(11) Deferred tax assets

	12/31/2010 € m	12/31/2009 € m
Deferred tax assets	329	294

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

Deferred taxes are explained further in notes 18 and 38.

(12) Other assets

	12/31/2010 € m	12/31/2009 € m
Accrued interest on AfS financial instruments	254	199
Accrued interest on HtM financial instruments	214	279
Accrued interest on receivables from customers (ABS/MBS)	6	3
Accrued interest on hedging derivatives	137	107
Accrued interest on other derivatives	108	139
Other accrued interest	0	0
Prepaid expenses	11	14
Other assets	14	21
Total	744	762

Out of the total for other assets, an amount of EUR 7 million (previous year: EUR 8 million) is due after 12 months; realization or settlement is expected accordingly.

(13) Consolidated equity

	12/31/2010 € m	12/31/2009 € m
Subscribed capital	100	100
Capital reserve	– 127	– 127
Other reserves	4,858	4,526
Revaluation reserves	104	28
Retained earnings	4,754	4,498
Total	4,831	4,499

ING-DiBa AG's subscribed capital was unchanged at EUR 100 million as of the end of the reporting period. It is fully paid up and divided into 100,000,000 no-par value shares, all of which are held by ING Deutschland GmbH, Frankfurt am Main. No profit participation certificates or subordinated liabilities were issued.

The item includes a non-controlling interest of EUR 0.025 million in connection with the fully consolidated special purpose entity described in more detail in note 26.

The capital reserve consists primarily of additional contributions that the shareholders have made to equity in addition to the share capital.

In accordance with IFRSs, gains or losses from the fair value measurement of AfS securities are recognized directly in the revaluation reserve, net of deferred taxes. The gains or losses are only recognized in profit or loss when the asset has been sold or derecognized. In addition, the reserve for cash flow hedges is part of the revaluation reserve. No amounts were reportable in the revaluation reserve for properties in the periods under review.

Retained earnings break down into legal reserves and other reserves. The legal reserve captures reserves that are required under national law; the amounts recognized in this reserve are blocked from distribution in the HGB single-entity financial statements.

The total amount of retained earnings reported in the statement of financial position is made up as follows: legal reserve EUR 1 million (previous year: EUR 1 million), other reserves EUR 4,753 million (previous year: EUR 4,497 million).

The profit after tax for 2010, determined in accordance with HGB, of EUR 290 million (previous year: EUR 286 million) will be transferred to the sole shareholder, ING Deutschland GmbH, Frankfurt am Main, on the basis of a profit and loss transfer agreement.

4.6.3

Notes to the consolidated statement of financial position

Changes in revaluation reserves

	Available-for-sale financial investments € m	Cash flow hedge reserves € m	Total € m
Value as of Jan. 1, 2010	13	15	28
Valuation of available-for-sale financial investments	42	0	42
Gains and losses recognized on statement of comprehensive income	22	– 1	21
Changes in cash flow hedge reserves	0	13	13
Changes in Group structure	0	0	0
Other remeasurements	0	0	0
Value on Dec. 31, 2010	77	27	104

	€ m	€ m	€ m
Value as of Jan. 1, 2009	39	20	59
Valuation of available-for-sale financial investments	15	0	15
Gains and losses recognized on statement of comprehensive income	– 41	– 3	– 44
Changes in cash flow hedge reserves	0	– 1	– 1
Changes in Group structure	0	0	0
Other remeasurements	0	0	0
Value on Dec. 31, 2009	13	15	28

(14) Deposits from banks

	12/31/2010 € m	12/31/2009 € m
Payable on demand	81	107
With an agreed maturity or period of notice	5,589	4,351
Total	5,670	4,459

The deposits from banks as of December 31, 2010 include an amount of EUR 5,371 million that is only expected to be realized or settled after 12 months (December 31, 2009: EUR 4,096 million).

As of December 31, 2010, open market transactions with the European Central Bank System amounted to EUR 0 million (December 31, 2009: EUR 0 million).

The liabilities reported here include repo and securities lending transactions of EUR 109 million (December 31, 2009: EUR 176 million). The collateral provided for these transactions is disclosed in notes 2 and 5.

The deposits from banks include cash collateral received for reverse repo transactions of EUR 14 million (December 31, 2009: EUR 6 million) and for derivatives (note 6) of EUR 43 million (December 31, 2009: EUR 31 million).

The interest accrued on deposits from banks is reported under other liabilities (note 20).

Information on relations with affiliated companies can be found in note 27.

(15) Due to customers

	12/31/2010 € m	12/31/2009 € m
Savings deposits	80,445	73,885
Current account balances	1,635	1,191
Other deposits	143	202
Total	82,223	75,279

Amounts due to customers as of December 31, 2010 are expected to include an amount of EUR 548 million that will only be realized or settled after 12 months (December 31, 2009: EUR 295 million).

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

The amounts due to customers include cash collateral received for derivatives (notes 6 and 16) of EUR 11 million (December 31, 2009: EUR 0 million).

The interest accrued on amounts due to customers is reported under other liabilities (note 20).

4.6.3 **Notes to the consolidated statement of financial position**

(16) Negative fair value of derivatives

	12/31/2010 € m	12/31/2009 € m
Derivatives		
Micro fair value hedges	55	83
Portfolio fair value hedges	1,872	1,617
Used in cash flow hedges	0	1
Other derivatives	165	255
Total	2,092	1,956

This item includes derivative financial instruments designated as hedges and instruments not designated as hedges. Their negative fair values of EUR 2,092 million (previous year: EUR 1,956 million) are offset by the positive fair value of derivatives of EUR 411 million (previous year: EUR 323 million).

For an amount of EUR 2,019 million under negative fair value of derivatives (previous year: EUR 1,897 million), realization or settlement is only expected after 12 months.

The interest accrued on derivatives is reported under other assets (note 12) or under other liabilities (note 20).

For more information on derivative financial instruments and hedges, refer to notes 6 and 22.

(17) Income tax liabilities

	12/31/2010 € m	12/31/2009 € m
Income tax liabilities	3	1

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

(18) Deferred tax liabilities

	12/31/2010 € m	12/31/2009 € m
Deferred tax liabilities	337	318

The tax reconciliation and explanations of income tax expense can be found in note 38.

Changes in deferred tax assets and liabilities

	Net deferred taxes as of 1/1/2010 € m	Changes recognized in equity € m	Changes recognized in profit or loss € m	Changes in Group structure € m	Other € mf	Net deferred taxes as of 12/31/2010 € m
Financial investments	– 59	– 31	43	0	14	– 33
Positive and negative fair value of derivatives	499	0	30	0	0	530
Loans and advances to banks and customers	– 520	0	– 18	0	12	– 526
Cash flow hedges	– 7	– 6	– 1	0	0	– 13
Pension and personnel provisions	4	0	– 1	0	2	5
Tax loss carryforwards	9	0	0	0	0	9
Other items	50	0	– 2	0	– 28	20
Subtotal	– 24	– 36	52	0	0	– 8
Net deferred taxes	– 24	– 36	52	0	0	– 8
Deferred tax assets	294	0	114	0	– 79	329
Deferred tax liabilities	– 318	– 36	– 62	0	79	– 337
Total	– 24	– 36	52	0	0	– 8

	1/1/2009 € m	€ m	€ m	€ m	€ m	12/31/2009 € m
Financial investments	– 62	12	– 9	0	0	– 59
Positive and negative fair value of derivatives	383	0	116	0	0	499
Loans and advances to banks and customers	– 452	0	– 68	0	0	– 520
Cash flow hedges	– 8	2	– 1	0	0	– 7
Pension and personnel provisions	4	0	0	0	0	4
Tax loss carryforwards	0	0	9	0	0	9
Other items	33	0	16	0	0	49
Subtotal	– 102	14	64	0	0	– 24
Net deferred taxes	– 102	14	64	0	0	– 24
Deferred tax assets	595	0	217	0	– 518	294
Deferred tax liabilities	– 697	14	– 153	0	518	– 318
Total	– 102	14	64	0	0	– 24

4.6.3 Notes to the consolidated statement of financial position

Because of amounts taken directly to equity, the change in the difference between deferred tax assets and deferred tax liabilities does not correspond to net deferred taxes.

Deferred taxes are recognized in profit or loss if the corresponding statement of financial position item is recognized in profit or loss. Deferred taxes are taken directly to the revaluation reserve if the changes in fair value of the corresponding item in the statement of financial position are taken directly to equity.

Deferred taxes on AfS securities of EUR −30 million (previous year: EUR 12 million) were taken directly to equity, compared with total gains recognized in the revaluation reserve of EUR 95 million (previous year: loss of EUR −38 million). This resulted in net gains of EUR 65 million (previous year: net loss of EUR −26 million).

Deferred taxes due to unused tax loss carryforwards

	12/31/2010 € m	12/31/2009 € m
Total unused tax loss carryforwards	37	71
of which not resulting in deferred tax assets	0	34
of which resulting in deferred tax assets	37	37
Average tax rate	25	25
Deferred tax assets	9	9

Deferred tax assets on tax loss carryforwards and unused tax deductions are recognized only up to the amount in which realization of the respective tax benefit is probable. Developments in future fiscal years may have an impact on the assessment of realizability. Imponderables in determining whether tax losses and tax deductions will remain usable are taken into account when calculating deferred tax assets.

For ING-DiBa Austria, no deferred tax assets have as yet been recognized for unused losses of EUR 0 million (previous year: EUR 34 million).

The remaining maturities of the total unused tax loss carryforwards and tax deductions are estimated at 1 – 5 years.

As of December 31, 2010 and as of December 31, 2009, there were no temporary differences in connection with investments in subsidiaries and branches, for which no deferred taxes had as yet been recognized.

(19) Non-current provisions

	12/31/2010 € m	12/31/2009 € m
Pension provisions	47	45
Other personnel provisions	3	4
Other provisions	2	1
Total	52	50

An amount of EUR 45 million (December 31, 2009: EUR 43 million) of the provisions recognized is expected to be realized or settled after 12 months.

The other provisions relate exclusively to litigation risks. There is uncertainty with regard to amount and due date. The actual provisions recognized depend on the specific progress of the litigation.

Changes in non-current provisions

	Pension provisions 2010 € m	Other personnel provisions 2010 € m	Other provisions 2010 € m	Total 2010 € m
Carrying amount as of Jan. 1	45	4	1	50
Additions during the reporting period	3	0	1	4
Reversals during the reporting period	0	– 1	0	– 1
Utilizations during the reporting period	– 1	0	0	– 1
Carrying amount as of Dec. 31	47	3	2	52

Pension provisions

ING-DiBa AG grants its employees post-employment benefits on the basis of bank agreements and individual contractual commitments. In addition to the payment of retirement pensions, they also include disability benefits and surviving dependents' benefits.

Occupational pensions are governed by defined benefit plans and defined contribution plans. Expenses for defined contribution plans amounted to EUR 4 million (previous year: EUR 4 million).

For 2011, an amount of EUR 3 million is expected to be paid into the defined benefit plan.

4.6.3 Notes to the consolidated statement of financial position

A provision of EUR 22 million was recognized for current pensions and pension entitlements of former members of executive bodies as of December 31, 2010.

The provisions are based on the defined benefit obligation (DBO), i.e., the present value of the realistically measured entitlements earned as of the valuation date.

Defined benefit obligation

The defined benefit obligation and the provisions for pensions changed as follows:

	12/31/2010 € m	12/31/2009 € m
Defined benefit obligation	45	44
Unrecognized past actuarial gains/losses	2	0
Unrecognized past service cost	0	0
Other amounts	0	0
Provisions	47	45

Changes in pension provisions

	12/31/2010 € m	12/31/2009 € m
DBO on 1/1	44	39
Current service cost	1	2
Interest cost	2	2
Past service cost	0	0
Actuarial gains/losses	– 2	3
Reported pension expense for the year	0	0
Impacts of changes in Group structure and other changes	0	0
Impacts of curtailments or plan settlements	0	0
Benefits paid	– 2	– 2
DBO on 12/31	44	44

Planned payments for pension provisions

	Pension provisions € m
2011	2
2012	2
2013	2
2014	2
2015	2
2016 – 2020	12

The amount of the obligation changes each year by the interest cost and the present value of newly earned pension entitlements (current service cost). Past service cost is the redemption amount for changes to pension plans in previous periods. ING-DiBa accounts for amounts resulting from actuarial gains or losses according to the 10% corridor method under IAS 19 and amortizes them over the remaining working lives of the active employees with pension entitlements.

All expenses related to this item were recognized under personnel expenses (note 36).

Transfers of pension entitlements as a result of changes of employer are recognized under other changes.

The defined benefit pension obligations are financed exclusively through provisions, which means that no disclosures relating to plan assets are required.

In accordance with IAS 19.64, the amount of the obligation is determined using the projected unit credit method, taking dynamic variables into account.

Calculation parameters in the weighted average

	12/31/2010 %	12/31/2009 %
Imputed interest rate	5.1	5.3
Salary growth	3.0	4.0
Pension adjustments	2.0	2.0
Inflation	2.0	2.0

The imputed interest rate is based on government bonds with matching maturities. The basic biometric probabilities were taken from the 2005G mortality tables of Prof. Klaus Heubeck and, for the branch in Austria, the Pagler & Pagler AVÖ 1999P Actuarial Assumptions for Pension Insurance (Rechnungsgrundlagen für die Pensionsversicherung, AVÖ 1999P – Pagler & Pagler). Salary growth, turnover, and retirement patterns were estimated specifically for each company.

Trend analysis

	12/31/2010 € m	12/31/2009 € m
Defined benefit obligation	44	44

The trend analysis shows the changes in the defined benefit obligation since the date of the opening IFRS statement of financial position.

Obligation for other non-current pension provisions

	12/31/2010 € m	12/31/2009 € m
Anniversaries	2	2
Partial retirement (liability)	2	1
Death benefits	0	0
Total	3	4

Payments from this item are based on legal requirements or internal bank agreements.

A reimbursement amount of less than EUR 1 million is expected under the German Partial Retirement Act (Altersteilzeitgesetz).

Information on payments to related parties can be found in note 27.

(20) Other liabilities

	12/31/2010 € m	12/31/2009 € m
Accrued interest on hedging derivatives	480	481
Accrued interest on other derivatives	125	175
Other accrued interest	5	0
Other liabilities	515	536
Total	1,125	1,191

Other liabilities relate primarily to withholding taxes payable on behalf of our customers as well as the profit to be transferred to ING Deutschland GmbH.

4.6.3 Notes to the consolidated statement of financial position

Other disclosures relating to the consolidated statement of financial position

(21) Contractual maturities

Assets by remaining contractual maturity (carrying amount)

	12/31/2010 less than 1 month 12/31/2010 € m	12/31/2010 1 to 3 months 12/31/2010 € m	12/31/2010 3 to 12 months 12/31/2010 € m
Cash reserve	0	0	0
Loans and advances to banks	2,576	55	426
Loans and advances to customers	1,210	818	2,269
Adjustment to portfolio fair value hedges	0	1	17
Financial investments			
– Available for Sale	533	324	752
– Held to maturity	280	520	646
Positive fair value of derivatives	0	1	38
Other assets	10	0	728
Remaining assets without determinable remaining contractual maturities	0	0	0
Total	4,609	1,719	4,876

	12/31/2010 1 to 5 years 12/31/2010 € m	12/31/2010 more than 5 years 12/31/2010 € m	12/31/2010 No determinable remaining contractual maturity 12/31/2010 € m	12/31/2010 Total 12/31/2010 € m
Cash reserve	0	0	1,417	1,417
Loans and advances to banks	1,972	0	3,679	8,709
Loans and advances to customers	16,596	38,343	3,458	62,694
Adjustment to portfolio fair value hedges	601	1,046	0	1,665
Financial investments				
- Available for Sale	5,712	5,855	0	13,177
- Held to maturity	5,305	348	0	7,099
Positive fair value of derivatives	292	79	0	411
Other assets	17	319		1,074
Remaining assets without determinable remaining contractual maturities	0	0	87	87
Total	30,496	45,991	8,641	96,333

	12/31/2009 less than 1 month 12/31/2009 € m	12/31/2009 1 to 3 months 12/31/2009 € m	12/31/2009 3 to 12 months 12/31/2009 € m
Cash reserve	0	0	0
Loans and advances to banks	600	76	599
Loans and advances to customers	2,614	466	2,290
Adjustment to portfolio fair value hedges	0	1	16
Financial investments			
– Available for Sale	188	206	1,529
– Held to maturity	160	470	1,457
Positive fair value of derivatives	0	0	22
Other assets	18	0	741
Remaining assets without determinable remaining contractual maturities	0	0	0
Total	3,581	1,219	6,654

	12/31/2009 1 to 5 years 12/31/2009 € m	12/31/2009 more than 5 years 12/31/2009 € m	12/31/2009 No determinable remaining contractual maturity 12/31/2009 € m	12/31/2009 Total 12/31/2009 € m
Cash reserve	0	0	1,481	1,481
Loans and advances to banks	1,471	507	3,122	6,377
Loans and advances to customers	13,542	35,519	1,657	56,090
Adjustment to portfolio fair value hedges	454	1,032	0	1,503
Financial investments				
– Available for Sale	5,774	3,596	0	11,293
– Held to maturity	7,056	388	0	9,531
Positive fair value of derivatives	271	29	0	323
Other assets	13	287	0	1,058
Remaining assets without determinable remaining contractual maturities	0	0	99	99
Total	28,580	41,358	6,358	87,753

4.6.3 Notes to the consolidated statement of financial position

Liabilities by remaining contractual maturity on the basis of undiscounted cash flows

	12/31/2010 less than 1 month € m	12/31/2010 1 to 3 months € m	12/31/2010 3 to 12 months € m
Deposits from banks	109	25	105
Due to customers	4,125	7,316	8,554
Negative fair value of derivatives	39	248	719
Financial liabilities	4,273	7,589	9,377
Other liabilities	23	0	1,102
Irrevocable loan commitments	2,803	164	754
Financial guarantees	0	0	31
Total	7,098	7,754	11,264

	12/31/2010 1 to 5 years € m	12/31/2010 more than 5 years € m	12/31/2010 indefinite € m	12/31/2010 Total € m
Deposits from banks	1,927	4,318	97	6,581
Due to customers	584	73	62,627	83,278
Negative fair value of derivatives	2,679	1,210	0	4,895
Financial liabilities	5,191	5,600	62,724	94,754
Other liabilities	5	387	0	1,517
Irrevocable loan commitments	567	0	0	4,288
Financial guarantees	0	0	0	31
Total	5,763	5,987	62,724	100,589

	12/31/2009 less than 1 month € m	12/31/2009 1 to 3 months € m	12/31/2009 3 to 12 months € m
Deposits from banks	173	14	84
Due to customers	5,213	6,974	5,278
Negative fair value of derivatives	104	207	829
Financial liabilities	5,490	7,195	6,190
Other liabilities	159	8	1,025
Irrevocable loan commitments	1,707	233	879
Financial guarantees	0	0	14
Total	7,357	7,435	8,108

	12/31/2009 1 to 5 years € m	12/31/2009 more than 5 years € m	12/31/2009 indefinite € m	12/31/2009 Total € m
Deposits from banks	930	3,817	119	5,137
Due to customers	426	81	58,474	76,446
Negative fair value of derivatives	3,185	1,582	0	5,907
Financial liabilities	4,541	5,480	58,593	87,489
Other liabilities	1	366	0	1,559
Irrevocable loan commitments	836	0	0	3,655
Financial guarantees	0	0	0	14
Total	5,378	5,846	58,593	92,717

It is assumed that financial guarantees will not be used to the full extent.

(22) Hedge Accounting

Hedge accounting is explained in the "Basis of presentation" section of this report.

Fair value hedges

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

	Assets 12/31/2010 € m	Equity and liabilities 12/31/2010 € m	Assets 12/31/2009 € m	Equity and liabilities 12/31/2009 € m
Derivatives used as fair value hedges	209	1,926	61	1,700

Net measurement gains or losses on derivatives and hedged items are reported in note 31.

The interest accrued on hedging derivatives is reported under other assets (note 12) or under other liabilities (note 20).

The full fair value of derivatives, including accrued interest, as of December 31, 2010 amounted to EUR 304 million on the assets side (previous year: EUR 128 million) and EUR 2,406 million on the liabilities side (previous year: EUR 2,180 million).

4.6.3 Notes to the consolidated statement of financial position

Cash flow hedges

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

	Assets 12/31/2010 € m	Equity and liabilities 12/31/2010 € m	Assets 12/31/2009 € m	Equity and liabilities 12/31/2009 € m
Derivates used as cash flow hedges	41	0	22	1

The interest accrued on hedging derivatives is reported under other assets (note 12) or under other liabilities (note 20).

The full fair value of derivatives, including accrued interest, as of December 31, 2010 amounted to EUR 84 million on the assets side (previous year: EUR 62 million) and EUR 0 million on the liabilities side (previous year: EUR 1 million).

Hedged cash flows

2010 € m	less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than five years
Inflow	5.1	28.3	42.1	60.0	29.7	2.0	0.0	0.0
Outflow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	5.1	28.3	42.1	60.0	29.7	2.0	0.0	0.0

2009 € m	less than 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than five years
Inflow	4.1	24.3	50.2	75.4	59.9	29.6	2.0	0.0
Outflow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	4.1	24.3	50.2	75.4	59.9	29.6	2.0	0.0

The following table shows the cash flow hedge reserves under equity. Note 13 provides in-forma-tion on changes in the revaluation reserve.

Cash flow hedge reserves

	12/31/2010 € m	12/31/2009 € m
Cash flow hedge reserves in equity	27	15

Cash flow hedge ineffectiveness impacted profit or loss as follows:

Cash flow hedge ineffectiveness

	12/31/2010 € m	12/31/2009 € m
Cash flow hedge ineffectiveness	1	0

(23) Contingent liabilities and other obligations

Contingent liabilities are items not recognized in the statement of financial position, as specified in IAS 37. They relate primarily to irrevocable loan commitments to customers in the Mortgage area (forward loans).

Other contingent liabilities relate to the provision of collateral.

The guarantees, financial guarantees as defined in IAS 39, comprise primarily those issued in connection with mortgage loans.

4.6.3 Notes to the consolidated statement of financial position

The amounts and maturities of the expected cash outflows are as follows:

	12/31/2010 less than 1 month € m	12/31/2010 1 to 3 months € m	12/31/2010 3 to 12 months € m
Contingent liabilities and other obligations arising from			
Irrevocable loan commitments	2,803	164	754
Guarantees and indemnity agreements	0	0	0
Provision of collateral for third-party liabilities	0	0	0
Other transactions	0	0	0
Total	2,803	164	754

	12/31/2010 1 to 5 years € m	12/31/2010 more than 5 years € m	12/31/2010 indefinite € m	12/31/2010 Total € m
Contingent liabilities and other obligations arising from				
Irrevocable loan commitments	567	0	0	4,288
Guarantees and indemnity agreements	0	0	0	0
Provision of collateral for third-party liabilities	0	0	0	0
Other transactions	0	0	0	0
Total	567	0	0	4,288

	12/31/2009 less than 1 month € m	12/31/2009 1 to 3 months € m	12/31/2009 3 to 12 months € m
Contingent liabilities and other obligations arising from			
Irrevocable loan commitments	1,707	233	879
Guarantees and indemnity agreements	0	0	0
Provision of collateral for third-party liabilities	0	0	0
Other transactions	0	0	0
Total	1,707	233	879

	12/31/2009 1 to 5 years € m	12/31/2009 more than 5 years € m	12/31/2009 indefinite € m	12/31/2009 Total € m
Contingent liabilities and other obligations arising from				
Irrevocable loan commitments	836	0	0	3,655
Guarantees and indemnity agreements	0	0	0	0
Provision of collateral for third-party liabilities	0	0	0	0
Other transactions	0	0	0	0
Total	836	0	0	3,655

(24) Litigation

The outcomes of current litigation are not expected to have any material adverse effect on the net assets, financial position and results of operations in excess of the amounts already recognized for litigation risks under non-current provisions.

(25) Future lease obligations

Future lease obligations

	Future minimum lease payments € m
2011	14
2012	13
2013	10
2014	6
2015	13
in years following 2016	124

Total rental and lease expenses amounted to EUR 17 million in fiscal year 2010 (previous year: EUR 15 million).

Total future rental and lease payments as well as rental and lease expenses for fiscal year 2010 do not include any contingent rental payments and only a small proportion of sub-lease payments.

Operationally material are lease agreements for ATMs and for business premises or office buildings. Most of the agreements in question specify fixed terms or minimum lease terms, for which fixed rental or lease amounts have to be paid. Some of the rentals for

4.6.3 Notes to the consolidated statement of financial position

buildings used for business operations are linked to consumer price indices, while some of the lease payments for ATMs are linked to a reference interest rate.

The lease agreements for ATMs are usually non-full payout leases with sale options at no less than the market price. Renewal options are granted subject to different lease payments.

Some of the leases for office buildings are for fixed terms, often granting renewal options, in turn for a fixed term. Other leases are for indefinite terms. They do not normally include a sale option.

Neither building nor ATM leases impose restrictions that could impact the capital structure, profit or loss, or other lease agreements of the Company.

(26) Securitization

Pure German Lion

On December 1, 2008, the single entity ING-DiBa AG transferred a portfolio of mortgage loans with a nominal volume of EUR 4.7 billion to a special purpose entity, Pure German Lion RMBS 2008 GmbH, Frankfurt am Main, to let this entity securitize them in the form of residential mortgage backed securities (RMBSs).

The special purpose entity is fully consolidated in the consolidated financial statements on the basis of SIC 12. ING-DiBa does not hold any equity interest in the entity. The full consolidation has resulted in a non-controlling interest of EUR 25,000 being reported.

All securities under this securitization transaction are held by ING-DiBa AG and fully eliminated in consolidation.

(27) Related parties

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

	12/31/2010 € m	12/31/2009 € m
Current compensation	3	3
Pension	0	0
Other long-term remuneration	3	1
Severance packages	0	0
Share-based payments	0	0
Total compensation	6	4

Key management personnel as defined by IFRSs comprises the active members of the Management Board and Supervisory Board.

Total compensation paid to the Management Board and Supervisory Board amounted to EUR 6.0 million in the fiscal year (previous year: EUR 3.8 million).

EUR 5.5 million of the total compensation paid to active members of executive bodies was attributable to the Management Board (previous year: EUR 3.3 million) and EUR 0.5 million was attributable to the Supervisory Board (previous year: EUR 0.5 million).

The current compensation includes all fixed and variable components, provided they were paid in the 12-month period.

Share-based payments to the Management Board and Supervisory Board

In the periods under review, the overall Management Board received share-based payments to the extent detailed below. The weighted average of the fair values was determined as of the date of the legally binding commitment. No subsequent changes in value were recognized, because the exercise terms and conditions had not been changed.

The members of the Supervisory Board do not receive any share-based payments for their work in this body.

4.6.3

Notes to the consolidated statement of financial position

Share-based payments to the overall Management Board

	Amount 2010	Fair value at grant date 2010	Amount 2009	Fair value at grant date 2009
Options	134,930	441,221	113,778	281,032
Performance shares	52,917	497,420	48,216	194,793

The effect of a capital increase ING Groep N.V. implemented in 2009 is presented in note 36, which also gives details of the respective compensation programs.

Total compensation paid to former members of executive bodies

Total compensation paid to former members of executive bodies amounted to EUR 1 million in fiscal year 2010 (previous year: EUR 1 million).

Other related party disclosures

The total amount of loans granted to members of the Management Board and Supervisory Board amounted to EUR 2.5 million as of December 31, 2010 (previous year: EUR 2.0 million); loans granted to members of the Supervisory Board amounted to EUR 515 thousand as of the same date (previous year: EUR 513 thousand). These loans are the Bank's products and were granted at standard market terms and conditions. No contingent liabilities had been entered into in connection with key management personnel, either as of December 31, 2010 or the end of the previous year's reporting period.

In the periods under review, there were no lending relationships with related parties that, due to their contractual arrangements, could have a significant impact on the amount, period, or security of the bank-specific cash flows when considered separately.

In addition to the companies included in the subgroup, ING-DiBa AG also has business relationships with parent and sister companies in the ING Group.

Business relationships with parent companies

ING DiBa AG's immediate parent is ING Deutschland GmbH, Frankfurt am Main, which holds a 100% interest. The ultimate parent company of the entire ING Group is ING Groep N.V., Amsterdam (the Netherlands).

In addition to the companies mentioned above, ING-DiBa AG is a direct subsidiary of ING Bank N.V., based in Amsterdam (the Netherlands), and ING Direct N.V., domiciled in Hoofddorp (the Netherlands).

	12/31/2010 € m	12/31/2009 € m
ING Groep N.V.		
Loans and advances	0	0
Deposits	0	0
Income	0	0
Expenses	0	0
ING Bank N.V.		
Loans and advances	2,020	1,008
Deposits	0	0
Income	47	8
Expenses	2	0
ING Direct N.V.		
Loans and advances	410	403
Deposits	1	1
Income	7	16
Expenses	11	9
ING Deutschland GmbH		
Loans and advances	0	0
Deposits	389	393
Income	0	0
Expenses	1	2

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

The loans and advances to and income from ING Bank N.V. and ING Direct N.V. are the result of money market transactions.

The amounts due and expenses to ING Deutschland GmbH arise primarily from the profit and loss transfer agreement and current business accounts.

The expenses to ING Direct N.V. reflect services provided to ING DiBa AG.

The transfer of profit under HGB is explained in note 13.

4.6.3 Notes to the consolidated statement of financial position

Business relationships with other Group companies not included in the basis of consolidation

In the year under review, there were business relationships with the following companies included in the consolidated financial statements of ING Groep N.V.:

- ING Financial Markets, Amsterdam
- ING Securities Services, Amsterdam
- ING Direct Spain, Madrid
- ING Direct Italy, Milan
- ING Direct USA, Wilmington
- Interhyp AG, Munich

	12/31/2010 € m	12/31/2009 € m
Loans and advances	301	304
Deposits and amounts due	625	632
Income	5	16
Expenses	45	50

In the ordinary course of business, all transactions for the provision of goods and services entered into with related parties were conducted on an arm's length basis at standard market terms and conditions.

Most of the volume is attributable to transactions with ING Direct Spain, Madrid, and Interhyp AG, Munich. Money market transactions were made with both companies.

A significant proportion of transactions with Interhyp AG, Munich, consists of commission for brokering mortgage loans.

No allowances or provisions were recognized for doubtful accounts.

(28) Fair value reporting: financial instruments

Disclosures in accordance with IFRS 7.8 and IFRS 7.25

The following tables compare the fair values of items in the statement of financial position with their carrying amounts.

	Fair value 12/31/2010 € m	Carrying amount 12/31/2010 € m
Financial assets	96,757	94,204
HtM financial investments	7,233	7,099
Other HtM financial investments[1]	192	192
HtM	7,425	7,291
AfS financial investments	13,178	13,178
of which equity investments	1	1
Other AfS financial investments[1]	254	254
AfS	13,432	13,432
Positive fair value of derivatives	161	161
Other derivative assets[1]	108	108
FVTPL	269	269
Cash	92	92
Hedging derivatives	250	250
Other derivative hedging assets[1]	137	137
Financial instruments not categorized under IAS 39	479	479
Balances with central banks	1,325	1,325
Loans and advances to banks	8,704	8,709
Loans and advances to customers	65,118	62,694
Other receivables from customers (ABS / MBS)[1]	6	6
LaR	75,153	72,734
Financial liabilities	89,270	90,594
Negative fair value of derivatives	165	165
Other derivative liabilities[1]	125	125
FVTPL	290	290
Hedging derivatives	1,926	1,926
Other hedging derivative liabilities[1]	480	480
Financial instruments not categorized under IAS 39	2,406	2,406
Deposits from banks	6,185	5,670
Due to customers	80,384	82,223
Other liabilities to banks and customers[1]	5	5
Financial liabilities	86,574	87,898

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

4.6.3

Notes to the consolidated statement of financial position

	Fair value 12/31/2009 € m	Carrying amount 12/31/2009 € m
Financial assets	88,030	85,821
HtM financial investments	9,819	9,530
Other HtM financial investments[1]	279	279
HtM	10,098	9,809
AfS financial investments	11,294	11,294
of which equity investments	1	1
Other AfS financial investments[1]	199	199
AfS	11,493	11,493
Positive fair value of derivatives	240	240
Other derivative assets[1]	139	139
FVTPL	379	379
Cash	106	106
Hedging derivatives	83	83
Other derivative hedging assets[1]	107	107
Financial instruments not categorized under IAS 39	296	296
Balances with central banks	1,480	1,374
Loans and advances to banks	6,362	6,377
Loans and advances to customers	57,919	56,090
Other receivables from customers (ABS / MBS)[1]	3	3
LaR	65,764	63,844
Financial liabilities	81,093	82,349
Negative fair value of derivatives	255	255
Other derivative liabilities[1]	175	175
FVTPL	430	430
Hedging derivatives	1,701	1,701
Other hedging derivative liabilities[1]	481	481
Financial instruments not categorized under IAS 39	2,182	2,182
Deposits from banks	4,886	4,459
Due to customers	73,596	75,279
Other liabilities to banks and customers[1]	0	0
Financial liabilities	78,482	79,738

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

The fair values of the financial instruments reported collectively in the cash reserve – cash balance and balances with central banks – correspond to the respective carrying amounts.

For financial instruments listed on an active market, the relevant prices are used in determining fair values.

For financial instruments for which no active market is available, the fair values are determined for each product by discounting the expected future cash flows to present value using current inter-est rates, applying the relevant yield or swap curve and taking product-specific spreads or credit spreads into account.

If the securities and loans against borrower's note being measured are illiquid instruments, a manual spread is determined on the basis of observable market data and used to determine pre-sent value. loans against borrower's note are recognized under loans and advances to banks and loans and advances to customers.

If, due to inactive markets, a market price cannot be determined for ABS securities with sufficient reliability, fair value is determined on the basis of recent transactions, or the indicative quote of a market maker in the market is used. If no plausible fair values can be derived from this process, the security is modeled as a bullet bond and measured using the discounted cash flow method. In this process, the maturity corresponds to a conservatively estimated date of full redemption; the coupon corresponds to the actual interest rate. The spread is a suitable value modeled on the basis of the market.

The AfS item contains a small amount of immaterial equity investments in companies, measured at cost.

For the class of contingent liabilities covered by IFRS 7, it is assumed that carrying amounts and fair values do not materially differ from each other. The contingent liabilities are explained in note 23.

Fair value hierarchy

The table below comprises all financial instruments measured at their fair values in the statement of financial position. Fair values are broken down into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Modeled prices, except for the quoted prices included in Level 1, determined on the basis of data that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Prices modeled for the asset or liability that are not based on observable market data (unobservable input data).

4.6.3 Notes to the consolidated statement of financial position

	Level 1 12/31/2010 € m	Level 2 12/31/2010 € m	Level 3 12/31/2010 € m	Total 12/31/2010 € m
Assets				
Positive fair value of derivatives	0	161	0	161
Other derivative assets	0	108	0	108
Hedging derivatives	0	250	0	250
Other derivative hedging assets	0	137	0	137
AfS financial investments	9,038	4,139	0	13,177
Other AfS financial investments	205	49	0	254
Total	9,243	4,844	0	14,087
Equity and liabilities				
Negative fair value of derivatives	0	165	0	165
Other derivative liabilities	0	125	0	125
Hedging derivatives	0	1,926	0	1,926
Other hedging derivative liabilities	0	480	0	480
Total	0	2,697	0	2,697

	Level 1 12/31/2009 € m	Level 2 12/31/2009 € m	Level 3 12/31/2009 € m	Total 12/31/2009 € m
Assets				
Positive fair value of derivatives	0	240	0	240
Other derivative assets	0	139	0	139
Hedging derivatives	0	83	0	83
Other derivative hedging assets	0	107	0	107
AfS financial investments	8,252	3,041	0	11,293
Other AfS financial investments	168	30	0	199
Total	8,420	3,640	0	12,061
Equity and liabilities				
Negative fair value of derivatives	0	255	0	255
Other derivative liabilities	0	175	0	175
Hedging derivatives	0	1,701	0	1,701
Other hedging derivative liabilities	0	481	0	481
Total	0	2,612	0	2,612

4.6.4 Notes to the consolidated income statement

(29) Net interest income

	2010 € m	2009 € m
Interest income		
Interest income from lending transactions	2,574	2,419
Interest income from impaired loans	0	0
Total interest income from lending transactions	2,574	2,419
Interest income from available-for-sale securities	381	363
Interest income from held-to-maturity securities	346	418
Interest income from other derivatives	175	185
Other interest income	– 750	– 526
Total interest income	2,726	2,859
Interest expense		
Interest expense on deposits from banks	– 156	– 157
Interest expense on deposits from customers	– 1,228	– 1,647
Interest expense on securitized liabilities	0	0
Interest expense on other financial liabilities	0	0
Interest expense on other derivatives	– 213	– 236
Other interest expense	– 2	– 4
Total interest expense	– 1,598	– 2,044
Net interest income	1,128	815

Interest income from the lending business with customers continued to perform well during the fiscal year, advancing to EUR 2,574 million. Due to a shortage of investment options, interest income from securities fell by EUR 54 million.

In the periods under review, interest income from loans on which allowances had been recognized amounted to less than EUR 0.5 million.

There was a significant change in the other interest income item, under which interest income from hedging derivatives is also reported. Since hedging derivatives are used to hedge interest rate risks in the lending business and securities transactions, this item is recognized under interest income. Overall, interest income fell by EUR 133 million to EUR 2,726 million.

4.6.4 Notes to the consolidated income statement

Generally low interest rates had a positive impact on interest expense, which declined by EUR 446 million in the fiscal year. The Bank's net interest income increased by 38 percent to EUR 1,128 million.

(30) Net commission income

	2010 € m	2009 € m
Commission income		
Payment transactions	44	44
Securities business	93	71
Other fees and commissions	3	2
Fee and commission income	139	117
Commission expense		
Payment transactions	20	18
Securities business	20	18
Other fees and commissions	57	35
Fee and commission expense	96	71
Net commission income	43	46

Net commission income in the payment transactions business relates primarily to account management and processing of ATMs. The securities business item represents customer brokerage services.

Overall, net commission income fell by EUR 3 million to EUR 43 million. A rise in income in the customer brokerage business was more than offset by the increase in expenses for brokerage fees in the mortgage lending business.

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

	2010 € m	2009 € m
Changes in fair value of		
derivatives used in fair value hedges	– 88	– 431
derivatives used in cash flow hedges (ineffective portion)	1	– 0
other derivatives	21	15
Changes in fair value, net	– 66	– 416
Changes in the fair values of the hedged items that relate to the hedged risk	87	370
Total	21	– 46

The hedge accounting gains and losses virtually offset each other in the fiscal year. The net gains/losses on derivatives that do not qualify for hedge accounting under IFRSs amount to EUR 21 million (previous year: EUR 15 million). For more information on hedge accounting, refer to note 22.

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

	2010 € m	2009 € m
Income from investment property	0	– 1
Changes in value of investment property	0	– 1
Net gains/losses on investment property	0	– 1
Net gain/loss on disposal of equity investments	0	0
Impairments on equity investments	0	0
Dividends	0	0
Net profit/loss on equity investments	0	0
Impairments of available-for-sale financial investments	0	0
Net gain/loss on disposal of available-for-sale financial investments	– 32	61
Net profit/loss on available-for-sale financial investments	– 32	61
Net gain/loss on disposal of held-to-maturity financial investments	– 2	0
Net profit or loss from held-to-maturity financial investments	– 2	0
Net gains/losses on financial investments	– 34	60

To reduce country risks, the Bank sold securities of states on the EU's periphery in the fiscal year. In particular also because of the significant downgrade of an EU member state, the Bank sold securities from the held-to-maturity category. Overall, the other net gains/ losses on financial investments and investment property changed by EUR 94 million to EUR −34 million.

(33) Other income

	2010 € m	2009 € m
Income from receivables	0	5
Other profit/loss	6	1
Total	6	5

The Bank discontinued the traditional card business associated with consumer credit. Other income of EUR 6 million is primarily the result of referring credit card customers to a credit card company, which accounted for EUR 4.8 million. ING DiBa customers can, however, still use their credit cards to withdraw cash through the direct debit system.

4.6.4 Notes to the consolidated income statement

(34) Risk provision

	Total 2010 € m
Additions to / reversals of risk provision	123
Direct write-downs	7
Receipts from loans written off	– 3
Other changes	0
Total	127

	2009 € m
Additions to / reversals of risk provision	100
Direct write-downs	0
Receipts from loans written off	– 2
Other changes	0
Total	98

Risk expense related to loans and advances to customers

	2010 € m	2009 € m
Mortgage loans	94	75
Consumer loans	33	23
Public loans and other receivables	0	0
Asset-backed securities / mortgage-backed securities	0	0
Total	127	98

(35) Amortization and write-downs of intangible assets

Amortization and write-downs of intangible assets were exclusively comprised of amortization.

(36) Personnel expenses

	2010 € m	2009 € m
Salaries	124	127
Bonuses	9	4
Expenses for pensions and other post-employment benefits	4	5
Social insurance contributions	29	28
Share-based payments	1	1
Expenses for external employees	13	11
Training and continuing education	2	3
Other personnel costs	4	2
Total	186	181

Personnel expenses rose slightly year-on-year, by EUR 5 million to a total of EUR 186 million. Expenses for salaries declined by EUR 3 million to EUR 124 million as a consequence of a lower number of employees.

Average number of employees

	2010			2009		
	Total	Germany	Austria	Total	Germany	Austria
Average number of employees	2,427	2,310	117	2,501	2,381	120

Expenses for pensions and other post-employment benefits

	Pensions		Other expenses for post-employment benefits/early retirement	
	2010 € m	2009 € m	2010 € m	2009 € m
Current service cost	1	2	1	1
Past service costs	0	0	0	0
Interest expense	2	2	0	0
Amortization of unrecognized past service cost	0	0	0	0
Amortization of unrecognized actuarial gain/losses	0	0	0	0
Other expenses	0	0	0	0
Total	3	4	1	1

The development of the pension provision is presented in note 19.

4.6.4 Notes to the consolidated income statement

Share-based payments

The programs from the perspective of the overall Group

The ING Group grants senior employees stock-based compensation to reward their contribution for increasing shareholder value and to promote long-term corporate success. Among other things, their exercise is linked to continued employment in the Company.

The share-based payments are issued in the form of stock options and free shares. The option programs are primarily designed such that they are satisfied by granting shares (equity-settled share-based payments); a smaller portion is allotted to those that are settled in cash (cash-settled share-based payments).

Because this concerns a direct commitment of ING Groep N.V. to executives of the overall Group, all components are posted against equity (equity-settled) in accordance with IFRS 2 (2010 amendment) at the subgroup level.

In the year under review share-based payments totaled EUR 1 million (2009: EUR 1 million), which is included in the personnel expenses account.

The ING Group decides annually whether and in what form share-based payments will be granted. The stock option programs are not intended to be continued from fiscal year 2011 onwards.

The ING Group holds treasury shares in order to meet the obligations arising from the share-based payments, and hedges the related open price-risk exposures using delta hedging. At the level of the overall Group, 45,213,891 treasury shares were held as of December 31, 2010 (as of December 31, 2009: 35,178,086). There were 124,836,694 outstanding stock options against these shares ING-wide on December 31, 2010 (December 31, 2009: 122,334,486).

The delta hedging of the outstanding stock options was previously conducted taking into account strike prices, opening prices, a zero-coupon interest rate, the dividend range, expected volatility and expected values on the employees' turnover and exercise patterns. The hedges were adjusted regularly at predetermined times. In December 2010, ING Groep N.V. announced that the delta hedging method would no longer be used. The shares still remaining in the hedge portfolio will be used successively to settle arising obligations. If no more shares are available from this portfolio, the obligations will be serviced by appropriate new issues.

ING Groep N.V. carried out a capital increase of EUR 7.5 billion in December 2009. As a result of this the exercise prices of outstanding stock options were revised to 76.8 percent of the original value. This calculation was based on the market price of ING shares on November 27, 2009 (EUR 8.53 per share). The number of options and free shares was increased by a factor of 1.3.

Because the granting of options and acquisition of shares for hedging purposes cannot be made exactly at the same time, differences between the purchase price and strike price may arise at the level of the overall Group. These differences are not intended and are closed promptly.

Stock option programs

Under the stock option programs, the beneficiaries receive the option to acquire shares of the ING Groep N.V. within stipulated periods at one price (strike price) and to transfer them to their personal securities account. The strike price is set when the options are granted and corresponds to the official listing price at that time. There is no provision for an exchange of options (reload function).

There is a uniform three-year holding period. After expiration of the holding period, the options may be exercised within the following seven years, either completely or in tranches.

The fair value of the stock options is determined uniformly throughout the ING Group using Monte Carlo simulation. In the 2010 fiscal year, the following parameters were included: risk-free interest rate in a range of 2.0 to 4.6 percent (2009: from 2.64 to 4.62 percent), expected holding period of the options of 5.0 to 9.0 years (2009: from 4.5 to 8 years), the strike prices, the current market price of the share between EUR 2.90 and 26.05 (2009: between EUR 2.90 and 26.05), the expected volatility of the shares of ING Groep N.V., Amsterdam, of between 25 and 84 percent (2009: between 25 and 84 percent), and the expected dividends at 0.94 to 8.99 percent (2009: 0.94 to 8.99 percent) of the quoted share price. When granted the fair value of the options on a weighted average throughout the Group was EUR 3.08 (previous year: EUR 3.52).

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

4.6.4 Notes to the consolidated income statement

Outstanding options – 2010

	Number of outstanding options	Weighted strike price in €
Outstanding options as of 01/01	817,250	15,20
Granted during the reporting period	290,464	7,35
Capital increase of ING Group N.V.	0	0,00
Net additions and disposals – new and departing Group employees	96,743	13,27
Exercised during the reporting period	0	0,00
Forfeited during the reporting period	18,116	19,80
Lapsed after expiration of exercise period	5,210	22,02
Outstanding options as of 12/31	1,181,131	12,80
Exercisable options as of 12/31	548,874	17,77

Outstanding options – 2009

	Number of outstanding options	Weighted strike price in €
Outstanding options as of 01/01	455,631	25,65
Options granted during the reporting period	180,514	5,22
Capital increase of ING Group N.V.	189,699	15,20
Net additions and disposals – new and departing Group employees	0	0,00
Exercised during the reporting period	0	0,00
Forfeited during the reporting period	6,594	24,68
Lapsed after expiration of exercise period	2,000	25,25
Outstanding options as of 12/31	817,250	15,20
Exercisable options as of 12/31	311,943	19,94

The as yet unrecognized amounts of expenses to be distributed at the Group level totaled EUR 65 million as of December 31, 2010 (December 31, 2009: EUR 62 million). The average allocation period in the fiscal year just ended was 1.9 years (2009: 1.6 years). The amount of cash and cash equivalents collected throughout the Group from the exercise of options in 2010 was EUR 3 million (2009: EUR 0 million).

Outstanding options – 2010

	Outstanding options as of 12/31	Weighted avg. remaining term of the agreement	Weighted avg. exercise price	Options exercisable as of 12/31	Weighted avg. remaining term of the agreement	Weighted avg. exercise price
0.00–15.00	637,005	8,28	6,41	158,429	6,70	8,07
15.01–20.00	320,542	6,13	17,09	166,861	5,41	17,48
20.01–25.00	120,594	5,60	24,40	120,594	5,60	24,40
25.01–30.00	102,990	4,59	25,44	102,990	4,59	25,44
30.01–35.00	0	0,00	0,00	0	0,00	0,00
35.01–40.00	0	0,00	0,00	0	0,00	0,00
	1,181,131	7,10	12,80	548,874	5,59	17,77

Outstanding options – 2009

	Outstanding options as of 01/01	Weighted avg. remaining term of the agreement	Weighted avg. exercise price	Options exercisable as of 01/01	Weighted avg. remaining term of the agreement	Weighted avg. exercise price
0.00–15.00	287,743	8,30	5,60	53,188	3,90	12,70
15.01–20.00	303,840	7,10	17,10	125,708	5,50	17,70
20.01–25.00	119,968	6,20	24,30	27,348	2,90	22,80
25.01–30.00	105,699	5,60	25,40	105,699	5,60	25,40
30.01–35.00	0,00	0,00	0,00	0,00	0,00	0,00
35.01–40.00	0,00	0,00	0,00	0,00	0,00	0,00
	817,250	7,19	15,20	311,943	5,02	19,94

Performance-based free shares

The number of free shares that the beneficiaries receive after expiration of three years depends on the success of the overall Company, measured based on the list position within an international industry comparison group [ING total shareholders return (TSR)]. Here, too, the beneficiary must have been employed by the Group during the stipulated period.

Group-wide, the volume of free shares as of December 31, 2010 was 35,040,106 shares (December 31, 2009: 14,653,673 shares). The weighted average of the fair value was EUR 7.25 (2009: EUR 7.53).

The ING-DiBa subgroup held out a prospective total of 126,296 free shares to its executives during the fiscal year (2009: 99,732).

4.6.4 Notes to the consolidated income statement

The performance shares are allocated directly following expiration of the lock-up period.

Until that time, the expense is recorded by distributing an extrapolated fair value to the holding period. ING Groep N.V. uses a Monte Carlo simulation for this allocation, which includes the risk-free base interest rate, current market prices, as well as expected volatilities and current dividends of comparable companies. In relation to the overall Group, the previously unallocated expenses from free shares were EUR 158 million as of December 31, 2010 (December 31, 2009: EUR 41 million). The 2.1-year allocation period expected during the 2010 fiscal year exceeds the previous year's value (2009: 1.8 years).

Please see note 27 regarding the share-based payments obtained by the Management Board.

Additional information regarding the share-based payment programs may be found in the annual report of ING Groep N.V., Amsterdam, as of December 31, 2010, which is published online at www.ing.com.

(37) Other administrative expenses

	2010 € m	2009 € m
IT	53	51
Telecommunications, office and operating expenses	50	47
Marketing and public relations	104	63
Travel expenses and corporate hospitality expenses	5	4
Legal and consulting expenses	9	8
Deposit protection	53	49
Shipping costs	12	19
Depreciation of buildings and office equipment	16	16
Amortization of software	13	15
Other administrative costs	41	47
Total	354	318

Administrative expenses rose by EUR 36 million during the 2010 fiscal year to EUR 354 million. The increased marketing by the Bank resulted in higher costs in this area totaling EUR 104 million. The securing of customer deposits through membership in the deposit protection fund of the Association of German Banks cost the Bank EUR 53 million.

Other administrative expenses did not include any write-downs in the fiscal year.

Auditors' fees

	2010 € m	2009 € m
Financial statement audits	2	1
Other assurance and valuation services	0	0
Tax consulting services	0	0
Other services	0	0
Total	2	1

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

The increase in compensation year-on-year can be explained by the expanded tasks in connection with the transition to IFRS as well as the implementation of new accounting provisions by the German Accounting Law Modernization Act (Bilanzrechtsmoderni-sierungsgesetz, "BilMoG").

(38) Income taxes

	2010 € m	2009 € m
Actual income tax expense	201	143
of which: adjustments for income taxes related to other accounting periods	– 1	13
of which: reduction due to utilization of tax loss carry-forwards or tax credits	0	0
of which: resulting from items charged or credited directly to equity	0	0
of which: subsequent payments due to tax audits	0	0
Deferred tax expense	– 52	– 65
from temporary differences	– 52	– 65
from the reversal of loss carryforwards	0	0
from change in tax rates	0	0
of which: resulting from items charged or credited directly to equity	– 6	2
Total	149	78

ING-DiBa AG is part of a tax group for corporate income and trade tax purposes due to a profit transfer agreement with ING Deutschland GmbH, Frankfurt am Main.

In addition, there is a tax group for corporate income tax, trade tax, and VAT purposes with ING-DiBa AG as the tax group parent and GGV Gesellschaft für Grundstücks- und Vermögensverwaltung mbH, Frankfurt am Main, as the tax group subsidiary.

In accordance with the substance over form principle, both current and deferred income tax is allocated to the entity that incurs the tax, i.e., ING-DiBa AG, in the IFRS subgroup

4.6.4 Notes to the consolidated income statement

consolidated financial statements. In this area, for which IFRSs do not provide any guidance, ING-DiBa thus follows the interpretation of SFAS 169-60 (US GAAP).

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

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

The income tax amounts resulting from the components of other comprehensive income are presented in the consolidated statement of comprehensive income.

Tax reconciliation

	2010 € m	2009 € m
Profit before tax	494	280
Applicable tax rate in %	31.6	31.8
Expected income tax expense	156	89
Tax-free income	– 5	– 2
Non-tax deductible expenses	1	2
Effects of tax rate changes on deferred taxes	0	0
Effects of as yet unrecognized amounts on deferred taxes	– 0	– 10
Effects of as yet unrecognized amounts on current income taxes	0	0
Write-down or reversal of a write-down of deferred tax assets due to IAS 12.56	0	0
Other tax effects	– 3	– 1
Effective income tax expenses	149	78
Effective tax rate in %	30.1	27.8

The applicable tax rate is determined based on the applicable overall tax rate for the Germany operation (32%) and the branch in Austria (25%), weighted by each operation's share of total profit. There was no significant change compared to the previous year.

The effective tax rate is a weighted average of local income tax rates of all consolidated companies.

4.6.5 Segment report

(39) Segment report

The following segment information is based on the management approach; the presentation of segment information based on internal reporting. The Chief Operating Decision Maker (CODM), here, the overall Management Board of ING DiBa AG, regularly decides on the allocation of resources to segments and the assessment of the segments' financial performance based on the segment information. The CODM sets performance goals and approves and monitors the issued budgets.

Segments

Segment reporting follows the Group's organizational structure underlying the internal management information system. The Bank's management information system differentiates between the two segments, customer loans and customer assets. The customer loans segment includes both long-term mortgage loans and mid-term consumer loans. The customer assets segment comprises deposits on the “Extrakonto” account payable on demand as well as mid-term deposits to fixed term deposit accounts and share assets in securities accounts. There were no significant organizational changes that impacted the composition of the business segments in the 2009 and 2010 fiscal years.

Calculation of segment profits or losses

Management reporting follows the methods of ING Groep NV, under which a capital charge is taken in order to make the results of the business units comparable with one another. The results of the business units calculated under IFRS are charged with the risk-free local interest rate on the accounting equity and credited with the risk-free euro interest rate on the economic capital. The information as presented in this note corresponds to the segment information as provided to the overall Management Board in the internal management information system.

4.6.5 Segment report

Customer loans and customer assets

2010 € m	Customer loans	Customer assets	MA total	Reconcilia-tion	IFRS
Net interest income	445	627	1,073	55	1,128
Commission income	– 47	90	43	0	43
Hedge accounting result	0	– 11	– 11	0	– 11
Net income from equity investments, measurements and disposals	5	0	5	0	5
MA income	403	706	1,109	55	1,164
Risk provision	– 115	– 12	– 127	0	– 127
General administrative expenses	– 135	– 396	– 531	– 11	– 543
of which: depreciation/amortization	– 10	– 21	– 31	0	– 31
Pre-tax MA result	153	298	451	44	494

2009 € m	Customer loans	Customer assets	MA total	Reconcilia-tion	IFRS
Net interest income	381	365	746	68	815
Commission income	– 27	73	46	0	46
Hedge accounting result	0	21	21	0	21
Net income from equity investments, measurements and disposals	0	0	0	0	0
MA income	355	459	813	68	880
Risk provision	– 82	– 15	– 98	0	– 98
General administrative expenses	– 124	– 362	– 486	– 18	– 504
of which: depreciation/amortization	– 10	– 23	– 33	0	– 33
Pre-tax MA result	149	81	230	50	280

ING-DiBa generated total income of EUR 1,164 million (previous year: EUR 880 million) during the 2010 fiscal year. Because ING-DiBa Direktbank Austria funded itself using internal Group resources and operates the deposit business almost exclusively, the branch's contribution from external customers is negative. Of ING-DiBa's total income, ING-DiBa Direktbank Austria's share of total income from external customers was EUR −99 million (previous year: EUR −105 million). ING-DiBa generated net interest income of EUR 1,128 million during the 2010 fiscal year (previous year: EUR 815 million). Of that amount, EUR −100 million from external customers was attributable to ING-DiBa Direktbank Austria (previous year: EUR −106 million). ING-DiBa Direktbank Austria's net commission income from external customers during both the 2010 and 2009 fiscal years was less than EUR 1 million.

There are no non-current assets at ING-DiBa Direktbank Austria. ING-DiBa did not have any major customers within the meaning of IFRS 8 as of December 31, 2010 and December 31, 2009.

Under IFRS 8, a customer is considered major if more than 10% of total income is earned from this customer.

There were no sales of non-current assets during the fiscal year requiring disclosure under IFRS 5.

Retail balance

31.12.2010 € billion	Customer loans	Customer assets	MA total	Reconciliation	IFRS
Retail balance	54	99	153	−17	136

31.12.2009 € billion	Customer loans	Customer assets	MA total	Reconciliation	IFRS
Retail balance	50	89	138	−14	125

The Bank combines the entire volume of its customer business in the retail balance. The customer's security account assets are also included in client assets. The value of these security account assets is eliminated when reconciling the retail balance to the figures recognized in accordance with IFRS.

4.6.6 Notes to the cash flow statement

(40) Notes to the cash flow statement

Significant principles of the cash flow statement

The cash flow statement shows the change in the balances of cash and cash equivalents of the ING-DiBa subgroup using the indirect method. The changes in the balances are allocated based on their economic cause to cash flows from operating, investing, and financing activities.

The cash flows from operating activities arise from the normal banking business. The earnings before taxes here are adjusted for non-cash changes in the balance. Investment activities comprise in particular payments related to the changes in the balances of the financial assets, property and equipment and intangible assets.

Cash and cash equivalents are composed of cash and receivables from central banks and commercial banks as well as deposits from banks as follows:

4.6.5 Segment report

Cash and cash equivalents

	12/31/2010 € m	12/31/2009 € m
Cash reserve	1,417	1,481
Loans and advances to bank payable on demand	3,679	3,122
Deposits from banks payable on demand	– 97	– 115
Cash and cash equivalents at the end of the fiscal year	4,999	4,488

Interest portion in the cash flow statement

	12/31/2010 € m	12/31/2009 € m
Interest income	2,717	2,915
Interest paid	– 1,626	-2,199
Total	1,091	716

Reconciliation to the statement of financial position items

	12/31/2010 € m	12/31/2009 € m
Cash reserve	1,417	1,481
Cash reserve	1,417	1,481

	12/31/2010 € m	12/31/2009 € m
Loans and advances to banks included in cash and cash equivalents	3,679	3,122
Loans and advances to banks not included in cash and cash equivalents	5,030	3,255
Loans and advances to banks	8,709	6,377

	12/31/2010 € m	12/31/2009 € m
Deposits from banks included in cash and cash equivalents	97	115
Deposits from banks not included in cash and cash equivalents	5,573	4,344
Due to customers	5,670	4,459

The legal reserve requirement as of the end of the reporting period was EUR 1,504 million (previous year: EUR 1,389 million). These funds are part of the accounting cash reserve (Note reference).

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

	12/31/2010 € m	12/31/2009 € m
Cash reserve	1,009	1,338
Financial assets	0	0
Loans and advances to customers	6,305	5,653
Loans to banks	2,175	2,215
Other assets	0	0
Total	9,489	9,206

4.6.7 Capital management

(41) Group capital and risk-weighted assets

The ING-DiBa Group's capital management serves to ensure compliance with the statutory minimum capital requirements on a Group-wide basis as well as in all Group companies and to provide a sufficient buffer to ensure the Group's ability to act at all times. The SolvV provisions and Principle I are the guiding standards.

Responsibility for ensuring target achievement rests with the Accounting department of ING-DiBa AG, in coordination with the Management Board and the shareholder's corresponding boards. Integration in the ING Group ensures the provision of equity.

Regular monitoring of compliance with the capital requirement (on a daily and monthly basis) ensures target attainment and delivers warning signals where appropriate to initiate appropriate management measures. The legal minimum capital requirements were satisfied at all times during the 2010 fiscal year.

Eligible capital is based on the provisions of the German Banking Act (Kreditwesengesetz, "KWG") and the SolvV. This eligible capital as well as additional regulatory modifications are the basis of the risk-taking potential described in the risk report. The following table shows the quantitative composition of eligible funds:

4.6.6 Notes to the cash flow statement

Equity composition of the ING-DiBa AG Group

	12/31/2010 € m	12/31/2009 € m
Equity of shareholders of the company	100	100
Reserve (Group)	3,634	3,634
Other regulatory adjustments	494	388
Available own funds	4,228	4,122

Core capital ratios of the ING-DiBa AG Group

	12/31/2010 in %	12/31/2009 in %
Core capital ratio	21.10	21.68
Regulatory requirement – core capital	4.00	4.00
Goal for core capital ratio	10.00	9.00

Risk-weighted assets for the end of the reporting period in 2010 were EUR 16,851 million (previous year: EUR 16,319 million).

BIS ratios of the ING-DiBa AG Group

	12/31/2010 in %	12/31/2009 in %
Regulatory requirement – BIS ratio	8.00	8.00
BIS ratio after floor*	11.37	11.60

* The floor is a minimum capital requirement based on 80% of the risk-weighted assets under Basel I (pursuant to section 339 (5a) and (5b) SolvV).

5.0 Auditors' Report

Translation from the German language

Auditors' Report

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the IFRS consolidated financial statements, together with the group management report of ING-DiBa AG, Frankfurt am Main, for the fiscal year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB (Handelsgesetzbuch: German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, "IDW"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Auditors' Report

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, May 2, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Binder	Reinert
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

6.0 Report of the Supervisory Board

Report of the Supervisory Board

In fiscal year 2010, the Supervisory Board performed the duties required of it by law and the Articles of Association with great care and diligence, and assisted and supervised the bank's management team. The Supervisory Board kept abreast of business developments in its four ordinary meetings throughout the year and through periodic meetings with the Management Board. Important commercial transactions were discussed in detail. The Supervisory Board was always consulted on fundamental issues involving the bank's corporate planning and strategic direction. The Supervisory Board also received comprehensive periodic reports both in writing and orally concerning business operations, the company's net assets, financial position and results of operations, as well as its risk situation, risk management, internal control system and compliance.

The Supervisory Board's review of the presented reports did not give rise to any adverse findings against company management during fiscal year 2010.

The full Supervisory Board's deliberations and resolutions particularly revolved around the following matters: supervision of the bank's investment portfolio; the potential implementation of the ING parent's "one bank strategy"; successors for the positions of Chairman and CEO, board member responsible for risk management, and board member responsible for marketing; review of the compensation scheme for members of the Management Board due to amended statutory provisions; the impact on the bank of the ongoing global financial and European crisis; the impact of continuing strong competition for savings deposits and retail clients and, related to that, the continuing emergence of more and more competitors.

As in the previous year, the Supervisory Board's discussions also focused throughout the year on development of the bank's growth strategy, particularly establishing and maintaining a leading market position in construction financing, expanding the securities business and maintaining a leading market position in savings accounts and term deposits, and promoting everyday transaction accounts.

The auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Eschborn, audited the annual financial statements and management report prepared by the Management Board in accordance with the German Commercial Code (HGB), as well as the subgroup financial statements and management report prepared in accordance with IFRS, made no adverse findings and issued an unqualified audit opinion. After conducting its own review and discussing the reports in detail, the Supervisory Board and the Audit Committee agreed with the auditor's findings.

6.0 Report of the Supervisory Board

Based on the final outcome of its review, the Supervisory Board has no objections to raise and approves the annual financial statements and management report prepared by the Management Board in accordance with the German Commercial Code, as well as the sub-group financial statements and management report prepared by the Management Board in accordance with IFRS for fiscal year 2010, all of which are hereby adopted.

During the reporting period, Hans Verkoren (Chairman of the Supervisory Board until September 30, 2010) and Dr. Rolf-J. Freyberg (Deputy Chairman of the Supervisory Board until December 31, 2010) left the Supervisory Board. The Supervisory Board would like to expressly thank both gentlemen for their many years of active and constructive service to the Supervisory Board. Ben Tellings was elected to the Supervisory Board at an extraordinary shareholders' meeting effective October 1, 2010 and will succeed Hans Verkoren as Chairman of the Supervisory Board.

The Supervisory Board would like to thank the Management Board, management and all staff for their focus and commitment in fiscal year 2010.

Frankfurt am Main, May 19, 2011

The Supervisory Board

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

Imprint

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ING-DiBa: A direct bank since 1965

1965	Formation of BSV: Bank für Sparanlagen und Vermögensbildung AG in Frankfurt am Main
1969	One-stop home financing with up to 100 percent loan-to-value ratios
1975	Consumer loan applications and disbursements available by post
1992	Introduction of current accounts
1993	Home banking through BTX
1994	Name changed to “Allgemeine Deutsche Direktbank”
1996	Helmut Schmidt Award for Journalism awarded for first time
1998	Strategic partnership with ING Group, a Dutch integrated financial services group
1999	Acquisition of Bank GiroTel in Hannover “DiBa” branding campaign
2001	Growth initiative launched with high-interest “Extra” account
2003	Acquisition of Entrium Direct Bankers ING Group becomes sole shareholder in DiBa
2004	Introduction of new brand name “ING-DiBa”
2006	ING-DiBa celebrates six million customers
2007	ING-DiBa securities account volume greater than at all of Germany’s direct brokers
2008	ING-DiBa voted “Germany’s most popular bank”
2009	ING-DiBa donations to “We care” organization total more than EUR 1.5 million since 2005
2010	ING-DiBa launches finanzversteher.de portal designed to demystify finance and put people in charge of their own finances

2010 in pictures

January

A study by YouGovPsychonomics concludes that „ING-DiBa knows what customers want“.

February

ING-DiBa's new iPhone App lets you check your account balance anywhere, anytime.

March

ING-DiBa named „Online broker of the year“ by Börse Online for sixth time.

July

Employees' volunteer commitment pays off: 403 organizations receive EUR 1,000 donation under „We care“ initiative.

August

No end to growth: 5 million ING-DiBa „Extra“ accounts.

September

New „DiBaDu“ branding campaign goes live across Germany.

April

ING-DiBa again „Best“ and „Most popular bank“ by a wide margin

May

n-tv and FMH-Finanzberatung name ING-DiBa „Best bank for follow-on loans in 2010“.

June

ING-DiBa welcomes its 7,000,000th customer.

October

Roland Boekhout assumes his duties as ING-DiBa's new CEO in October 2010.

November

„Give five!“: 170 employees help out in 53 charitable projects.

December

finanzversteher.de blog goes live, placing ING-DiBa in even closer dialogue with customers and financial experts.

Die Bank und Du

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