

ING GROEP NV
Form 20-F
March 21, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V.

Edgar Filing: ING GROEP NV - Form 20-F

Amstelveenseweg 500

1081 KL Amsterdam

P.O. Box 810, 1000 AV Amsterdam

The Netherlands

(Address of principal executive offices)

Hans van Barneveld

Telephone: +31 20 541 8510

E-mail: Hans.van.Barneveld@ing.com

Amstelveenseweg 500

1081KL Amsterdam

The Netherlands

(Name; Telephone, Email and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, nominal value EUR 0.24 per Ordinary Share and Bearer	
Depository receipts in respect of Ordinary Shares*	New York Stock Exchange
7.05% ING Perpetual Debt Securities	New York Stock Exchange
7.20% ING Perpetual Debt Securities	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange
7.375% ING Perpetual Debt Securities	New York Stock Exchange
8.50% ING Perpetual Debt Securities	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission
Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Edgar Filing: ING GROEP NV - Form 20-F

Ordinary Shares, nominal value EUR 0.24 per Ordinary Share 3,831,560,513
Bearer Depositary receipts in respect of Ordinary Shares 3,830,278,454
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).* Yes No

* This requirement does not currently apply to the registrant.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Table of Contents

TABLE OF CONTENTS

<u>Item</u>	<u>PART I</u>	<u>PAGE</u>
1.	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u>	5
2.	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	5
3.	<u>KEY INFORMATION</u>	5
4.	<u>INFORMATION ON THE COMPANY</u>	32
4A.	<u>UNRESOLVED STAFF COMMENTS</u>	61
5.	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	62
6.	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	103
7.	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	119
8.	<u>FINANCIAL INFORMATION</u>	123
9.	<u>THE OFFER AND LISTING</u>	126
10.	<u>ADDITIONAL INFORMATION</u>	127
11.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u>	136
12.	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	136
	<u>PART II</u>	
13.	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	138
14.	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	138
15.	<u>CONTROLS AND PROCEDURES</u>	138
16A.	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	140
16B.	<u>CODE OF ETHICS</u>	140
16C.	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	140
16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	142
16E.	<u>PURCHASES OF REGISTERED EQUITY SERVICES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	142
16F.	<u>CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT</u>	142
16G.	<u>CORPORATE GOVERNANCE</u>	142
	<u>PART III</u>	
18.	<u>FINANCIAL STATEMENTS</u>	143
19.	<u>EXHIBITS</u>	143
	ADDITIONAL INFORMATION	
	<u>SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS</u>	146

Table of Contents

PRESENTATION OF INFORMATION

In this Annual Report, and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we and us refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V.'s primary insurance and banking subsidiaries are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively. References to Executive Board or Supervisory Board refer to the Executive Board or Supervisory Board of ING Groep N.V.

ING presents its consolidated financial statements in Euros, the currency of the European Economic and Monetary Union. Unless otherwise specified or the context otherwise requires, references to US\$ and Dollars are to the United States dollars and references to EUR are to euros.

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of euro 1.00 = \$ 1.3320, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on March 1, 2012.

ING prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual Report on Form 20-F. ING Group's accounting policies and its use of various options under IFRS-IASB are described under Principles of valuation and determination of results in the consolidated financial statements. In this document the term IFRS-IASB is used to refer to IFRS-IASB as applied by ING Group.

The published 2011 Annual Accounts of ING Group, however, are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. IFRS-EU differs from IFRS-IASB, in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial Instruments (issued in 2009) is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. However, IFRS 9 is only effective as of 2015 and ING has not early adopted IFRS 9 under IFRS-IASB.

Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognized when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket, and is not recognized when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges cannot be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that had ING Group applied IFRS-IASB as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different shareholders' equity and net result amounts compared to those indicated in this Annual Report on Form 20-F.

Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU.

A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 to the consolidated financial statements entitled Basis of preparation.

Effective March 4, 2008, amendments to Form 20-F permit Foreign Private Issuers to include financial statements prepared in accordance with IFRS-IASB without reconciliation to US GAAP.

Table of Contents

Certain amounts set forth herein may not sum due to rounding.

Although certain references are made to information available on ING's website, no materials from ING's website or any other source are incorporated by reference into this Annual Report, except as specifically stated herein.

ING Group changed its accounting policy for the insurance provisions for Guaranteed Minimum Withdrawal Benefits for Life (GMWBL) on the Insurance US Closed Block VA book as of January 1, 2011. This change represents a change in accounting policy under IFRS, with a transitional impact being reflected in shareholders' equity. Comparative years' results have been restated. Further details are provided in the section "Changes in accounting policies" in Note 2.1 to the consolidated financial statements.

The Latin American pensions, life insurance and investment management operations were disposed of in December 2011. (for more information, see Item 4. Information on the Company "Changes in the Composition of the Group"). This transaction qualifies under IFRS as a discontinued operation. The results of the discontinued operations for the year and for comparative years are presented separately from continuing operations in the profit and loss account.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report are not historical facts, including, without limitation, certain statements made in the sections hereof entitled "Information on the Company," "Dividends," "Operating and Financial Review and Prospects," "Selected Statistical Information on Banking Operations" and "Quantitative and Qualitative Disclosure of Market Risk" are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those expressed or implied in such statements due to, without limitation,

changes in general economic conditions, in particular economic conditions in ING's core markets,

changes in performance of financial markets, including developing markets,

consequences of a potential (partial) break-up of the euro,

the implementation of ING's restructuring plan to separate banking and insurance operations,

changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,

the frequency and severity of insured loss events,

changes affecting mortality and morbidity levels and trends,

changes affecting persistency levels,

changes affecting interest rate levels,

Edgar Filing: ING GROEP NV - Form 20-F

changes affecting currency exchange rates,

changes in investor, customer and policyholder behaviour,

changes in general competitive factors,

changes in laws and regulations,

changes in the policies of governments and/or regulatory authorities,

conclusions with regard to purchase accounting assumptions and methodologies,

changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,

changes in credit ratings,

ING's ability to achieve projected operational synergies, and

the other risks and uncertainties detailed in Item 3. Key Information Risk Factors in ING's Annual Report on Form 20-F for the year ended December 31, 2011.

Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. See Item 3. Key Information Risk Factors and Item 5. Operating and financial review and prospects Factors Affecting Results of Operations.

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial information data is derived from the IFRS-IASB consolidated financial statements of ING Group.

The following information should be read in conjunction with, and is qualified by reference to the Group's consolidated financial statements and other financial information included elsewhere herein.

Table of Contents

	\$000,000,00	\$000,000,00	\$000,000,00	\$000,000,00	\$000,000,00	\$000,000,00
	2011 USD ⁽¹⁾	2011 EUR	Year ended December 31, 2010 ⁽⁷⁾ EUR	2009 ⁽⁷⁾ EUR	2008 ⁽⁷⁾ EUR	2007 ⁽⁷⁾ EUR
	(in millions, except amounts per share and ratios)					
IFRS-IASB Consolidated Income Statement Data						
Income from banking operations:						
Interest income	86,112	64,649	68,334	79,850	98,201	76,859
Interest expense	68,198	51,200	55,011	67,475	87,118	67,823
Net interest result	17,914	13,449	13,323	12,375	11,082	9,036
Commission income	3,269	2,454	2,593	2,660	2,820	2,926
Investment and Other income	774	581	1,091	(3,546)	(5,950)	3,151
Total income from banking operations	21,957	16,484	17,007	11,489	7,952	15,113
Income from insurance operations:						
Premium income	36,228	27,198	27,786	30,248	42,671	44,746
Commission income	2,109	1,583	1,555	1,580	1,766	1,710
Investment and Other income	12,182	9,146	7,162	2,955	8,440	12,836
Total income from insurance operations	50,519	37,927	36,503	34,783	52,877	59,293
Total income ⁽²⁾	72,477	54,412	53,510	46,273	60,538	74,182
Total expenditure from banking operations						
	15,824	11,880	11,914	13,134	11,556	10,092
Total expenditure from insurance operations						
	50,822	38,155	38,610	35,970	54,732	52,927
Total expenditure ^{(2) (3)}	66,180	49,685	50,177	48,765	65,997	62,795
Result before tax from banking operations						
	6,133	4,604	5,093	(1,645)	(3,604)	5,021
Result before tax from insurance operations						
	163	122	(1,760)	(848)	(1,855)	6,366
Result before tax	6,296	4,727	3,333	(2,492)	(5,459)	11,387
Taxation	1,344	1,009	1,076	(780)	(1,708)	1,590
Result from discontinued operations ⁽⁸⁾						

&nbs