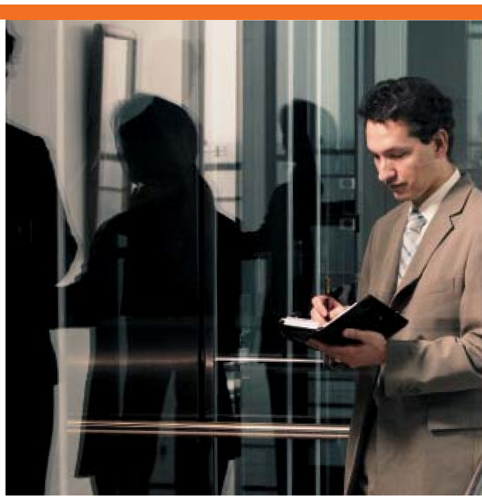
ING INSURANCE



Condensed consolidated interim financial information for the period ended 30 June 2012

ING

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Interim report

ING VERZEKERINGEN N.V.

Introduction

ING evaluates the results of its insurance operations using the financial measures of underlying result before tax. The breakdown of underlying result before tax by business line for the insurance activities can be found in Note 10 'Segment reporting'. With regard to insurance activities, ING analyses the underlying result through a margin analysis, which includes the following components:

- Operating result; and
- Non-operating items.

Both are analysed into various sub-components. The total of operating result and non-operating items equals underlying result before tax.

To determine the operating result, the following non-operating items are adjusted in the reported Underlying result before tax:

- Realised capital gains/losses and impairments on debt and equity securities;
- Revaluations on assets marked to market through the profit and loss account; and
- Other non-operating impacts, e.g. provision for guarantees on separate account pension contracts, equity related and other DAC unlocking, VA/FIA Guaranteed Benefit Reserve unlocking and DAC offset on gains/losses on debt securities.

The Operating result for the Life insurance business is broken down in expenses and the following sources of income:

- Investment margin which includes the spread between investment income earned and interest credited to insurance liabilities (excluding market impacts, including dividends and coupons);
- Fees and premium-based revenues which includes the portion of life insurance premiums available to cover expenses and profit, fees on deposits and fee income on assets under management (net of guaranteed benefit costs in the United States);
- Technical margin which includes the margin between costs charged for benefits and incurred benefit costs; it includes mortality, morbidity and surrender results; and
- Non-modelled which is non significant and includes parts of the business for which no margins are provided.

The reconciliation between IFRS-EU and underlying income, expenses and net result can be found in Note 10 'Segment reporting'.

Insurance operations

ING Insurance/IM's first six months results 2012 decreased compared with the first six months of 2011. The first six months 2012 net result was EUR 143 million compared with a net result of EUR 772 million in first six months of 2011. The first six months of 2012 net result included EUR –74 million of special items, EUR –11 million result on divestments, EUR 273 million result from discontinued operations and EUR –180 million on the classification as discontinued operations. As of 30 June 2012, the Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance are classified as held for sale and as discontinued operations. Although no divestment transactions have yet been completed, it has been decided to write off the EUR 180 million goodwill in ING Investment Management (IIM) Korea. IFRS 5 requires a write-off of certain assets, such as goodwill, if a unit is expected to be divested below book value.

For other assets in Asia, such as investments and insurance-related assets, the regular accounting policies continue to apply and the carrying value of these assets is not impacted by the held for sale classification. Negotiations are on-going and it is too early to predict the final financial outcome with respect to the divestments of the operations held for sale.

The EUR 273 million net result from discontinued operations included EUR 298 million from Insurance Asia, EUR -22 million from the Corporate Line and EUR -3 million from IIM Asia. Insurance Asia showed a solid performance with a pro-forma underlying result before tax of EUR 407 million, up from EUR 312 million one year ago. Strong sales growth of non-cancer COLI products in Japan and improved mortality results in Korea drove results higher, while expenses stayed flat. Underlying pre-tax results declined from the first quarter of 2012, as that quarter included positive non-recurring items and seasonally higher premium income from Japan COLI. The Corporate Line results represent the internally reinsured Japanese SPVA guarantees and related hedges.

Underlying net result for the first six months of 2012 was EUR 135 million compared with EUR 548 million in the first six months of 2011. Underlying net result is derived from total net result by excluding the impact from divestments, special items and discontinued operations.

Interim report continued

Total underlying result before tax from the insurance operations for the first six months of 2012 decreased to EUR 11 million from EUR 739 million in the same period last year. Total premium income decreased by EUR 164 million to EUR 10,790 million in the first six months of 2012 from EUR 10,954 million in the same period last year. Decreases in Benelux (EUR 481 million), Central & Rest of Europe (EUR 137 million) and US VA business (EUR 11 million) were partly offset by an increase in US (EUR 474 million).

Commission income decreased 2.5% to EUR 696 million from EUR 714 million in the first half of 2011. Investment and other income increased to EUR 2,728 million in the first six months of 2012 compared with EUR 2,946 million in the same period a year ago.

The sales process for the Asian Insurance and Investment Management businesses has progressed to a stage that we now reflect the results of Insurance Asia/Pacific, the Asian Investment Management businesses and the Asian activities previously reported in the Corporate Line in the net result from discontinued operations. Net result from discontinued operations for the 6 months ending 30 June 2012 was EUR 273 million as compared to EUR 373 million a year ago.

Underwriting expenditure increased in the first six months of 2012 by EUR 202 million to EUR 12,287 million up 1.7% from the EUR 12,085 million in the same period last year, mainly driven by US VA business (EUR –88 million), Central and Rest of Europe (EUR –128 million), Benelux (EUR –302 million) and US (EUR 729 million). Operating expenses over the first six months of 2012 increased 10.1% from EUR 1,514 million a year ago to EUR 1,667 million as per 30 June 2012, caused by higher Solvency II expenses in Europe as well as non recurring expenses in the Benelux and the US.

With regard to insurance activities, ING Group analyses, as of 2011, the underlying result before tax through a margin analysis, which includes the following components:

- Operating result; and
- Non-operating items.

Both are analysed into various sub-components. The total of operating result and non-operating items (gains/ losses and impairments, revaluations and market & other impacts) equals underlying result before tax.

Reference is made to the Note 10 ‘Segment reporting’ in the condensed consolidated interim accounts.

Insurance results decreased considerably in the first half of 2012. The operating result of EUR 578 million decreased 38.3% from the same period last year, mainly as a result of a lower technical margin, higher expenses and lower non-life results. These effects were partly offset by a higher investment margin. The underlying result before tax in the first half of 2011 fell to EUR 11 million from EUR 739 million a year ago due to the lower operating result combined with a lower non-operating result.

Life insurance and investment management

The operating result from Life Insurance and Investment Management was EUR 748 million, or 29.0% lower than the first half year of 2011. This decrease was mainly the result of a EUR 196 million lower technical margin and EUR 110 million higher Life administrative expenses, which were partly offset by a EUR 79 million increase of the investment margin.

The investment margin increased to EUR 900 million from EUR 821 million in the first half of 2011. The increase is fully attributable to the US (excluding US Closed Block VA) as a result from higher general account assets in the Retirement business and lower average crediting rates.

Fees and premium-based revenues were 1.5% lower than in the same period last year and amounted to EUR 1,554 million. Higher sales in the US were offset by higher hedging and reserve costs in the US Closed Block VA and lower fees in Central & Rest of Europe stemming from lower margin life products and pension fund regulatory changes in Poland and Hungary.

The technical margin amounted to EUR 175 million and fell by EUR 196 million (or 52.8%) compared to the first half year of 2011. EUR 70 million of the decrease resulted from a one-off settlement of an insurance contract with a large pension fund in the Netherlands in the second quarter of 2011. The impact of the current low interest rate environment on the guarantee provisions for certain life insurance contracts in the Benelux and a lower mortality result on individual life in the US also contributed to the decline.

Life & ING IM administrative expenses were EUR 1,258 million, EUR 110 million or 9.6% higher than in the first half of 2011. This was caused by higher Solvency II expenses in Europe as well as non recurring expenses in the Benelux and the US.

Deferred Acquisition Costs (DAC) amortisation and trail commissions increased to EUR 642 million from EUR 589 million in the first half of 2011, or up 9.0%. This is mainly driven by the growth of the US business.

The non-life operating result fell 63.9% to EUR 39 million compared with EUR 108 million in the first six months of 2011 mainly due to higher claims in the Benelux caused by the downturn in the Dutch economy.

The operating result for the Corporate Line was EUR –209 million versus EUR –224 million in the first half of 2011. The improvement was the result of - on balance – lower results from funding activities by Capital Management as well as improved reinsurance results, partly offset by higher unallocated expenses.

The underlying result before tax fell to EUR 11 million from EUR 739 million in the first six months of 2011. The decrease was mainly driven by lower operating results as a result of the negative impact of hedges to protect regulatory capital in the US and the Benelux.

Gains/losses and impairments on investments came to EUR 39 million from EUR –262 million in the first half of 2011. The 2011 loss consisted of impairments on subordinated debt from Irish banks (EUR 180 million) and Greek government bonds that were impacted by the restructuring proposals of July 2011 (EUR 123 million). In the first six months of 2012 EUR 203 million capital gains on public equity were partly compensated by losses on debt securities from de-risking (EUR 104 million) and impairments on public equity (EUR 48 million).

Revaluations decreased to EUR –156 million in the first half of 2012 versus EUR 192 million in the same period last year. The revaluations in the first half occurred mainly in the Benelux (EUR –251 million) as a result of negative revaluation of equity hedges to protect solvency and negative revaluation of real estate, but were partly offset by CMOB revaluations in the US.

Market and other impacts improved to EUR –449 million in the first half of 2012 from EUR –129 million in the same period last year. In the Benelux the result was negatively impacted by the change of provision for guarantees on separate account pension contracts (net of hedging). The US showed higher DAC unlocking and the US Closed Block VA realised hedge losses, opposed to a gain on hedges, net of reserve changes, as well as a non-recurring DAC adjustment in the previous year.

Insurance Benelux
Insurance Benelux operating result fell in the first six month of 2012, as a result of non-recurring positive results included in the technical margin last year, a lower investment margin due to de-risking measures in the second half of 2011 and lower non-life results. The operating result fell 39.0% to EUR 368 million from EUR 603 million in the first half of 2011.

Life investment margin decreased to EUR 324 million versus EUR 344 million in the first half of 2011. This was mainly attributable to de-risking measures in the second half of 2011, partly offset by higher volume from higher general account assets.

Fees and premium-based revenues increased to EUR 317 million compared to EUR 306 million in the first half of 2011. The inclusion of AZL, the pension administration company (modelled as of the first quarter of 2012), contributed EUR 17 million to the increase, with a corresponding reduction in non-modelled income. However, on a comparable basis, fees and premium-based revenues decreased by EUR 6 million in line with lower gross premium income.

Technical margin fell 58.7% to EUR 92 million from EUR 223 million in the same period last year, mainly due to the settlement of an investment contract with a large pension fund in the Netherlands in the second quarter of 2011. In the current half year our technical margin is under pressure due to low interest rates leading to increases of the guarantee provisions on certain group life contracts and guarantee provisions on unit linked life contracts. Furthermore, morbidity results were lower compared to the first six months of last year.

Life administrative expenses increased to EUR 308 million from EUR 281 million in the first six months of 2011, driven by higher non-recurring additions to employee benefit provisions, higher Solvency II expenses and higher expenses related to NN Bank.

DAC amortisation & trail commissions decreased by EUR 12 million compared with the first half year of 2011, reflecting lower commissions in line with lower gross premium income.

The non-life operating result fell 67.0% to EUR 35 million from EUR 106 million in the first half of 2011, largely caused by higher claims in the Netherlands due to the unfavourable economic circumstances. Property & Casualty (P&C) products also experienced higher claims compared to the first half year of 2011, partly mitigated by non-recurring provision releases.

The underlying result before tax in the first six months of 2011 decreased by EUR 416 million or 135.9% to EUR –110 million from EUR 306 million in the first half of 2011. Underlying result in the first half 2012 was impacted by the de-risking impact of capital losses on Portuguese, Italian and Spanish bonds as well as impairments on public equities, which was more than compensated by capital gains on public equities. Revaluation was EUR –251 million as a result of negative revaluation of equity hedges to protect solvency and negative revaluation of real estate. Furthermore, the change of the provision for guarantees on separate account pension contracts (net of hedging), in combination with a macro interest rate hedge result, was EUR –247 million.

Insurance Central and Rest of Europe
The operating result before tax for Insurance Central and Rest of Europe declined 30.4% to EUR 80 million from EUR 115 million in the same period last year. This decline was mainly caused by the impact of pension reforms implemented in Poland and Hungary which affected the results as from the third quarter last year, as well as lower results in Greece due to the challenging macro-economic climate.

The investment margin for the first half year of 2012 decreased 21.2% to EUR 26 million as compared with EUR 33 million last year. The decrease was mainly due to lower investment yields in Greece, reflecting de-risking measures taken last year as well as the impact of the Greek Private Sector Involvement (PSI) debt exchange.

Fees and premium-based revenues declined to EUR 213 million from EUR 244 million in the first six months of 2011. The decline reflects lower fees on life insurance, as older, higher margin portfolios mature and are replaced by lower-margin products. Further regulatory changes to pension funds in Poland and Hungary and the economic downturn in Greece negatively impacted fees and premium based revenues.

The technical margin equalled last year's margin in the first six months.

Life administrative expenses decreased to EUR 150 million from EUR 157 million in the same period a year ago. This decrease was mostly due to higher project expenses in the first half of 2011.

DAC amortisation and trail commissions increased by EUR 10 million compared with the same period last year to EUR 110 million in line with higher sales.

Despite the decrease in the operating result of EUR 35 million, the underlying result before tax increased by EUR 74 million to EUR 72 million. The improvement of the underlying result was driven by lower impairments of debt securities and gains on the sales of derivates. The first half of 2011 contained impairments of Irish bank bonds and Greek government bonds, whereas impairments in first half of 2012 were related to losses on the sale of Spanish financial institutions bonds and losses from the execution of the Greek PSI debt exchange.

Insurance United States
The operating result decreased to EUR 317 million from EUR 327 million in the first six months of 2011. This decrease is mainly attributable to a lower technical margin as well as higher administrative expenses and higher DAC amortisation and trail commissions. These effects are partly offset by a higher investment margin and fees and premium-based revenues.

The life investment margin of EUR 547 million is a 27.5% increase from the first six months of 2011. This increase is primarily due to higher general account assets in the Retirement business and partially due to customer transfers from equity accounts, and lower average crediting rates.

Fees and premium-based revenues rose to EUR 585 million from EUR 528 million in the first six months of 2011. The increase from the first six months of 2011 is primarily due to growth in the term life business, and higher fee income, due to strong net flows in the full service retirement business and higher equity market levels. This increase was partially offset by customer transfers to fixed accounts and lower recordkeeping fees.

The technical margin decreased to EUR –15 million from EUR 46 million in the first six months of 2011. This decline was mainly attributable to lower results in Individual Life, partially offset by higher results in Employee Benefits and the closed block Group Reinsurance business.

Interim report continued

Life administrative expenses were EUR 443 million, up 18.1% from a year ago. This increase is primarily related to a non-recurring expenses reduction in the first six months of 2011 and a non-recurring severance accrual in the first six months of 2012. These higher costs are partly offset by lower expenses due to a reduction in the number of recordkeeping staff.

DAC amortisation and trail commissions were higher at EUR 356 million compared with EUR 300 million in the first half of 2011, primarily due to higher operating income subject to DAC amortisation.

The underlying result before tax decreased to EUR 336 million in the first six months of 2012 as compared to EUR 429 million in the previous year. This decrease was driven by the lower non-operating results, which were mainly caused by lower revaluations as well as lower market and other impacts.

Gains/losses and impairments improved to EUR 24 million from EUR –46 million in the first six months of 2011 primarily driven by lower impairments and credit losses as well as an increase in gains on the sale of debt securities.

Revaluations were EUR 76 million compared with EUR 162 million in the first six months of 2011. 2011 reflected very strong revaluation results on the alternative investment portfolio. The current year reflected positive CMOB revaluations partly offset by negative revaluations of alternative assets, including losses on the sale of a portfolio of limited partnership interests.

Market and other impacts were EUR –81 million compared with EUR –15 million in the previous year. The first six months of 2012 reflect higher DAC unlocking, driven by positive revaluations of CMOB's, as well as a non-recurring pension curtailment charge.

Insurance US Closed Block VA

The operating result decreased to EUR –63 million from EUR 31 million in the first six months of 2011. This decrease is mainly attributable to lower fees and premium-based revenue, in addition to a lower investment margin and a lower technical margin.

The life investment margin decreased to EUR 2 million from EUR 15 million in the first six months of 2011. This decrease is primarily due to lower yields on investments backing reserves due to higher liquidity balances and the low interest rate environment.

Fees and premium-based revenues decreased to EUR 50 million from EUR 118 million in the first six months of 2011. This decrease is mainly due to lower fee income and higher hedge and reserve costs. The lower fee income was due to lower AUM levels, driven by negative net flows, which were only partly offset by market related growth. The higher hedge and reserve costs are due to higher notional balances on equity derivatives and higher reserve levels, which have increased primarily due to the fourth quarter 2011 assumption changes.

The technical margin decreased to EUR 9 million from EUR 13 million in the first six months of 2011. This decline was mainly attributable to higher letter of credit costs and lower surrender fee income, partly offset by a non-recurring reserve release in the first quarter of 2012.

Life administrative expenses were EUR 51 million compared with EUR 41 million in the first six months of 2011. This increase is primarily related to a shift in the allocation of technology and finance costs between the US Closed Block VA and Insurance US.

DAC amortisation and trail commissions were almost flat at EUR 73 million.

The underlying result before tax decreased to EUR –168 million in the first six months of 2012 as compared to EUR 122 million in the previous year. This decrease is driven by the lower operating result as well as a loss on hedges, net of reserve changes, as the hedge program focuses on protecting regulatory capital rather than mitigating earnings volatility.

Gains/losses and impairments improved to EUR 16 million from EUR 1 million in the first six months. Revaluations were nil compared with EUR 3 million in the first six months of 2011.

Market and other impacts were EUR –121 million compared with EUR 87 million in the previous year reflecting a loss on hedges, net of reserve changes, in the current year compared with a gain on hedges, net of reserve changes, as well as a non-recurring DAC adjustment in the previous year.

ING Investment Management

The operating result decreased 1.2% to EUR 85 million from EUR 86 million a year ago caused by higher administrative expenses that were largely partly offset by higher fee and premium based revenues.

Fees and premium based revenues increased by 2.4% from EUR 381 million to EUR 390 million as a result of currency effects.

Administrative Expenses increased 3.7% from EUR 294 million to EUR 305 million as a result of currency effects. Excluding currency effects, the administrative expenses decreased by 1.6%.

Non-operating result was slightly lower as higher revaluations in the first half of 2012 were more than offset by a decrease of EUR 5 million in gains/losses and impairments.

The underlying result before tax decreased 2.9% to EUR 100 million from EUR 103 million in the first half of 2011 due to a lower operating income and a lower non-operating result compared with last year.

Balance sheet

As of 30 June 2012, the Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance are classified as held for sale. This resulted in large changes per balance sheet item.

Total assets increased by EUR 14.8 billion, or 4.4%, to EUR 350.2 billion compared to December 2011. This increase was mainly caused by revaluations on investments and Financial assets at fair value through P&L by EUR 8 billion and by EUR 6 billion currency impacts. Shareholders' equity increased EUR 1.7 billion or 7.2%, to EUR 25.2 billion.

Assets

Financial assets at fair value through P&L increased by EUR 3.5 billion after a EUR 22.4 billion transfer of the Insurance Asian business to assets held for sale. The increase is mainly driven by EUR 5.4 billion positive revaluations of Investments for risk of policyholders. These revaluations are reflected in the provision for risk of policyholders on the liability side of the balance sheet.

Positive revaluations (EUR 2.3 billion) on Debt securities available-for-sale related to lower interest rates, currency effects (EUR 1.7 billion) offset by EUR 20.8 billion transfer of the Insurance Asian business to assets held for sale, results in a decrease of EUR 17.1 billion in investments.

Assets/Liabilities held for sale

The balance sheet items of the Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance have been transferred to assets/liabilities held for sale as per June 2012. The sales process for these businesses has progressed to a stage that requires such classification under IFRS accounting rules.

Liabilities

The changes in Debt securities in issue and Other borrowed funds mainly reflect the successful completion of a liability management transaction in April. Through this transaction, security holders exchanged EUR 1.7 billion of ING Verzekeringen N.V. senior debt securities for ING Groep N.V. senior debt securities. Within the balance sheet of ING Verzekeringen N.V., the external debt securities have been replaced by on-lent securities from ING Group. The decrease in Debt securities in issue also reflects the maturity of the ING Verzekeringen N.V. April 24 2012 2.5% CHF 300 million senior unsecured debt security. The increase in Other borrowed funds also reflects a total of USD 2.0 billion drawn under a USD 5.0 billion senior unsecured credit facility by ING U.S. in April.

After the transfer of the Asian Insurance and investment contracts to liabilities held for sale (EUR 48.1 billion) Insurance and investment contracts increased by EUR 3.5 billion to EUR 234.3 billion, mainly reflecting EUR 5.4 billion increase in the provision for risk of policyholders which mirrored the movement in the investments for risk of policyholders.

Shareholder's equity

Shareholders' equity increased by EUR 1.7 billion mainly driven by unrealised revaluations on investments of EUR 2.2 billion.

Risk Management

ING Insurance continued to take a conservative approach amid volatile market circumstances in the first half year. Selective de-risking measures were taken, including sales of equity securities, financial institution bonds and Portuguese government bonds. Protecting regulatory capital remains a priority over the mitigation of P&L volatility. The sensitivity of earnings to market movements remains significant, but has improved from yearend 2011.

Interim report continued

Credit risk
The general account, excluding Asia/Pacific, increased by EUR 5.0 billion. This was due primarily to the depreciation of the euro against the US dollar and a decrease of interest rates, especially in the second quarter of 2012.

Greece, Italy, Ireland, Portugal and Spain
Greece, Italy, Ireland, Portugal and Spain have either applied for support from the European Financial Stability Fund ('EFSF', to be replaced by the permanent European Stability Mechanism or 'ESM') or received support from the ECB via government bond purchase in the secondary market. The European Union ('EU') recently decided that, under certain conditions, the ESM could recapitalise banks, which is positive for especially Spain. The most important condition is setting up a single supervisory mechanism for banks. At 30 June 2012, ING Insurance's risk exposures (excluding Asia/Pacific) with regards to lending, debt securities and real estate to Greece, Italy, Ireland, Portugal and Spain were reduced to EUR 7,956 million. In March 2012, the agreement under the Private Sector Involvement ('PSI') to exchange Greek Government bonds into new instruments was executed. Under this exchange, ING received new listed Greek Government bonds, listed European Financial Stability Facility ('EFSF') notes and listed GDP-linked securities issued by Greece. Furthermore, ING received listed Short-term EFSF notes in discharge of all unpaid interest. All exchanged bonds were derecognised and the new instruments were recognised at their fair value as available for sale investments.

The exchange resulted in a loss of EUR 7 million in the first quarter of 2012, being the difference between amortised cost (net of cumulative impairments) of the exchanged bonds and the fair value of the new instruments at the time of the exchange. This loss was included in 'Investment income'. ING Insurance has continued to selectively de-risk its exposures to the GIIPS countries in the first half year.

Market risk
Real estate and equity sensitivities are large contributors to P&L sensitivities. The real estate sensitivity is driven almost entirely by the Benelux and reflects volatility in real estate funds and direct real estate assets. Equity sensitivities are driven by the US Closed Block VA business, with offsetting impacts from the guaranteed Separate Account pension business in Benelux and, to a lesser extent, from Insurance US. The US Closed Block VA tends to produce counterintuitive gains in falling equity markets and losses in rising equity markets due to a focus on protecting regulatory capital rather than mitigating IFRS earnings volatility.

Compared to year-end 2011 sensitivity to a fall in equities improved mainly as a result of the improved reserve adequacy of the US Closed Block VA business. Improvement is offset by the Benelux from derivatives strike prices in the protection portfolio being set at a lower level, and from an increased impairment risk as a consequence of negative revaluation reserves related to equity investments.

At 30 June 2012, ING's P&L sensitivity for interest rate risk and currency movements is relatively limited. Compared to yearend 2011 the sensitivity for an upward shock of interest rates improved mainly due to the improved reserve adequacy of the US Closed Block VA business and a hedge program in the Benelux. In the Benelux the results are sensitive to non-parallel shifts in the longer duration yield.

Insurance and other risks
Insurance risks such as mortality, longevity, morbidity and P&C claims result from the pricing and acceptance of insurance contracts. Through scenario analysis, ING Insurance measures the sensitivity of pre-tax earnings of the insurance operations to an adverse change of the insurance risk factors over a one-year period. Earnings sensitivities are defined on a shock scenario at the 90% confidence level on pre-tax IFRS-EU earnings, projected one year forward from the calculation date. The overall exposure to insurance risks did not change significantly during the first half year of 2012. The main change is an assumption update reflecting the worsening claims experience for Income protection products in the Netherlands.

Other
Reference is made to Note 16 'Important events and transactions' in the condensed consolidated interim accounts for information on the most important events in the first half of 2012, other than the information disclosed in this Interim report. This disclosure is deemed to be incorporated by reference here.

Interim report continued

Looking ahead

We continue to work tirelessly to deliver on our performance improvement plans and prepare our banking and insurance businesses for their independent futures. The sales process for our Insurance and Investment Management businesses in Asia is on track, and ING US made an important step with its inaugural benchmark debt issuance as it works to separate its funding and liquidity from the Group ahead of its planned IPO. For Insurance Europe, we are stepping up our efforts as we prepare for the base case of an IPO. As the Group moves forward with its transformation, our employees continue to place the utmost priority on the needs of our customers to deliver the exemplary service and products they require.

Conformity statement

Conformity statement pursuant to section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act *(Wet op het financieel toezicht)*

The Management Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- the ING Verzekeringen N.V. interim accounts for the period ended 30 June 2012 give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Verzekeringen N.V. and the entities included in the consolidation taken as a whole; and
- the ING Verzekeringen N.V. interim report for the period ended 30 June 2012 includes a fair review of the information required pursuant to article 5:25d, paragraph 8 of the Dutch Financial Supervision Act *(Wet op het financieel toezicht)* regarding ING Verzekeringen N.V. and the entities included in the consolidation taken as a whole.

AMSTERDAM, 7 AUGUST 2012

Jan H.M. Hommen
CEO, chairman of the Management Board

Patrick G. Flynn
CFO, member of the Management Board

Wilfred F. Nagel
CRO, member of the Management Board

Condensed consolidated balance sheet of ING Insurance

as at

amounts in millions of euros	30 June 2012	31 December 2011
ASSETS		
Cash and cash equivalents	**11,162**	11,577
Financial assets at fair value through profit and loss 2	**107,990**	126,873
Available-for-sale investments 3	**116,523**	133,604
Loans and advances to customers	**28,242**	32,928
Reinsurance contracts	**5,679**	5,870
Investments in associates	**1,375**	1,526
Real estate investments	**813**	954
Property and equipment	**386**	469
Intangible assets 4	**1,251**	1,972
Deferred acquisition costs	**4,670**	10,204
Assets held for sale 5	**63,876**	
Other assets	**8,212**	9,410
Total assets	**350,179**	335,387
EQUITY		
Shareholder's equity (parent)	**25,165**	23,475
Minority interests	**158**	62
Total equity	**25,323**	23,537
LIABILITIES		
Subordinated loans	**4,286**	4,367
Debt securities in issue	**1,547**	3,436
Other borrowed funds	**8,877**	7,307
Insurance and investment contracts	**234,252**	278,833
Financial liabilities at fair value through profit and loss 6	**3,762**	4,404
Liabilities held for sale 5	**61,559**	
Other liabilities	**10,573**	13,503
Total liabilities	**324,856**	311,850
Total equity and liabilities	**350,179**	335,387

References relate to the accompanying notes. These form an integral part of the condensed consolidated interim accounts.

Condensed consolidated profit and loss account of ING Insurance

for the three and six month period ended

	3 month period 1 April to 30 June		6 month period 1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Continuing operations				
Gross premium income	**4,738**	4,627	**10,790**	10,954
Investment income 7	**1,921**	1,635	**3,573**	3,043
Commission income	**355**	367	**696**	714
Other income 8	**706**	189	**–845**	–97
Total income	**7,720**	6,818	**14,214**	14,614
Underwriting expenditure 9	**6,525**	5,449	**12,312**	12,085
Intangible amortisation and other impairments	**8**	3	**12**	28
Staff expenses	**394**	444	**877**	866
Other interest expenses	**123**	156	**237**	304
Other operating expenses	**401**	398	**877**	785
Total expenses	**7,451**	6,450	**14,315**	14,068
Result before tax from continuing operations	**269**	368	**–101**	546
Taxation	**–90**	47	**–169**	129
Net result from continuing operations	**359**	321	**68**	417
Discontinued operations				
Net result from discontinued operations 14	**111**	216	**273**	373
Net result from classification as discontinued operations 14	**–180**		**–180**	
Total net result from discontinued operations 14	**–69**	216	**93**	373
Net result from continuing and discontinued operations (before minority interests)	**290**	537	**161**	790

	3 month period 1 April to 30 June		6 month period 1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Net result attributable to:				
Shareholder of the parent	**290**	532	**143**	772
Minority interests		5	**18**	18
	290	537	**161**	790
Net result from continuing operations attributable to:				
Shareholder of the parent	**359**	317	**50**	401
Minority interests		4	**18**	16
	359	321	**68**	417
Net result from discontinued operations attributable to:				
Shareholder of the parent	**–69**	215	**93**	371
Minority interests		1		2
	–69	216	**93**	373

References relate to the accompanying notes. These form an integral part of the condensed consolidated interim accounts.

Condensed consolidated statement of comprehensive income of ING Insurance

for the three and six month period ended

	3 month period 1 April to 30 June		6 month period 1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Result for the period from continuing and discontinued operations	**290**	537	**161**	790
Unrealised revaluations after taxation	**814**	297	**1,711**	–338
Realised gains/losses transferred to profit and loss	**36**	57	**–111**	141
Changes in cash flow hedge reserve	**438**	56	**511**	–362
Transfer to insurance liabilities/DAC	**–737**	–308	**–968**	91
Exchange rate differences	**778**	–143	**377**	–1,030
Total amount recognised directly in equity (other comprehensive income)	**1,329**	–41	**1,520**	–1,498
Total comprehensive income	**1,619**	496	**1,681**	–708
Comprehensive income attributable to:				
Shareholder of the parent	**1,618**	491	**1,660**	–722
Minority interests	**1**	5	**21**	14
	1,619	496	**1,681**	–708

For the three month period 1 April 2012 to 30 June 2012 the Unrealised revaluations after taxation comprises EUR –18 million (1 April 2011 to 30 June 2011: EUR –7 million) related to the share of other comprehensive income of associates.

For the six month period 1 January 2012 to 30 June 2012 the Unrealised revaluations after taxation comprises EUR –41 million (1 January 2011 to 30 June 2011: EUR 7 million) related to the share of other comprehensive income of associates.

For the three month period 1 April 2012 to 30 June 2012 the Exchange rate differences comprises EUR –15 million (1 April 2011 to 30 June 2011: EUR 1 million) related to the share of other comprehensive income of associates.

For the six month period 1 January 2012 to 30 June 2012 the Exchange rate differences comprises EUR –20 million (1 January 2011 to 30 June 2011: EUR –31 million) related to the share of other comprehensive income of associates.

Condensed consolidated statement of cash flows of ING Insurance

for the six month period ended

amounts in millions of euros		30 June 2012	30 June 2011
Result before tax		**97**	1,039
Adjusted for	– depreciation	**86**	95
	– deferred acquisition costs and value of business acquired	**–212**	–213
	– increase in provisions for insurance and investment contracts	**716**	555
	– other	**1,740**	–249
Taxation paid		**51**	–124
Changes in	– trading assets	**–26**	–21
	– non-trading derivatives	**221**	–160
	– other financial assets at fair value through profit and loss	**241**	21
	– loans and advances to customers	**2,551**	–156
	– other assets	**–166**	795
	– other financial liabilities at fair value through profit and loss	**29**	–478
	– other liabilities	**–714**	–1,862
Net cash flow from operating activities		**4,614**	–758
Investments and advances	– available-for-sale investments	**–34,897**	–27,740
	– investments for risk of policyholders	**–29,891**	–27,704
	– other investments	**–133**	–117
Disposals and redemptions	– available-for-sale investments	**29,776**	25,347
	– investments for risk of policyholders	**32,387**	30,054
	– other investments	**126**	144
Net cash flow from investing activities		**–2,632**	–16
Proceeds from borrowed funds and debt securities		**22,026**	15,342
Repayments of borrowed funds and debt securities		**–22,467**	–16,001
Other net cash flow from financing activities		**–118**	6
Net cash flow from financing activities		**–559**	–653
Net cash flow		**1,423**	–1,427
Cash and cash equivalents at beginning of period		**11,577**	8,646
Effect of exchange rate changes on cash and cash equivalents		**–96**	188
Cash and cash equivalents at end of period		**12,904**	7,407
Cash and cash equivalents comprises the following items:			
Cash and cash equivalents		**11,162**	7,273
Cash and cash equivalents classified as Assets held for sale 5		**1,742**	134
Cash and cash equivalents at end of period		**12,904**	7,407

References relate to the accompanying notes. These form an integral part of the condensed consolidated interim accounts.

Condensed consolidated statement of changes in equity of ING Insurance

for the six month period ended

amounts in millions of euros	**Share capital**	**Share premium**	**Reserves**	**Total shareholder's equity (parent)**	**Minority interests**	**Total**
Balance at 1 January 2012	**174**	**11,874**	**11,427**	**23,475**	**62**	**23,537**
Unrealised revaluations after taxation			**1,711**	**1,711**		**1,711**
Realised gains/losses transferred to profit and loss			**–111**	**–111**		**–111**
Changes in cash flow hedge reserve			**511**	**511**		**511**
Transfer to insurance liabilities/DAC			**–968**	**–968**		**–968**
Exchange rate differences			**374**	**374**	**3**	**377**
Total amount recognised directly in equity			**1,517**	**1,517**	**3**	**1,520**
Net result for the period			**143**	**143**	**18**	**161**
Total comprehensive income			**1,660**	**1,660**	**21**	**1,681**
Employee stock option and share plans			**30**	**30**		**30**
Changes in the composition of the group					**81**	**81**
Dividends					**–6**	**–6**
Balance at 30 June 2012	**174**	**11,874**	**13,117**	**25,165**	**158**	**25,323**

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholder's equity (parent)	Minority interests	Total
Balance at 1 January 2011	174	11,874	8,111	20,159	111	20,270
Unrealised revaluations after taxation			–338	–338		–338
Realised gains/losses transferred to profit and loss			141	141		141
Changes in cash flow hedge reserve			–362	–362		–362
Transfer to insurance liabilities/DAC			91	91		91
Exchange rate differences			–1,026	–1,026	–4	–1,030
Total amount recognised directly in equity			–1,494	–1,494	–4	–1,498
Net result for the period			772	772	18	790
Total comprehensive income			–722	–722	14	–708
Employee stock option and share plans			24	24		24
Changes in the composition of the group					–1	–1
Dividends					–29	–29
Balance at 30 June 2011	174	11,874	7,413	19,461	95	19,556

Notes to the condensed consolidated interim accounts

1 BASIS OF PRESENTATION

These condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and are consistent with those set out in the notes to the 2011 Consolidated Annual Accounts of ING Insurance, except for the amendments referred to below.

These condensed consolidated interim accounts should be read in conjunction with the 2011 Consolidated Annual Accounts of ING Insurance.

Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' became effective for ING Insurance in 2012. Amendments to IAS 12 'Deferred tax – Recovery of Underlying Assets' is effective as of 2012, but not yet endorsed by the EU, and therefore not yet part of IFRS-EU. Neither of these has a significant effect on ING Insurance.

The following new or revised standards and interpretations were issued by the International Accounting Standards Board (IASB), which become effective for ING Insurance after 2012, if and when endorsed by the EU:

- IFRS 10 'Consolidated Financial Statements', effective as of 2013;
- IFRS 11 'Joint Arrangements', effective as of 2013;
- IFRS 12 'Disclosure of Interests in Other Entities', effective as of 2013;
- IFRS 13 'Fair Value Measurement', effective as of 2013;
- IAS 28 'Investments in Associates and Joint Ventures', effective as of 2013;
- Amendments to IAS 1 'Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income', effective as of 2013;
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities', effective as of 2013;
- Annual Improvements 2009 – 2011 Cycle effective as of 2013; and
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities', effective as of 2014.

Although these new requirements are still being analysed and the final impact is not yet known, ING Insurance does not expect the adoption of these new or revised standards and interpretations to have a significant effect on equity and/or result of ING Insurance.

Furthermore, in 2009 IFRS 9 'Financial Instruments – Classification and measurement' was issued, which was initially effective as of 2013. However in December 2011 the IASB decided to amend this standard and to postpone the mandatory application of IFRS 9 until 2015. This standard is not yet endorsed by the EU and, therefore, is not yet part of IFRS-EU. Implementation of IFRS 9 – if and when endorsed by the EU – may have a significant impact on equity and/or result of ING Insurance.

In June 2011 the revised IAS 19 'Employee Benefits' was issued, which will become effective as of 2013. At this moment, ING is working on the implementation of the revised standard. The most significant change in the revised standard is the immediate recognition in equity of 'unrecognised actuarial gains and losses' as of the effective date. Actuarial gains and losses will no longer be recognised in the profit and loss account as part of curtailment gains/losses. The actual impact on equity and capital of this change at implementation is expected to be significant but fully depends on the market interest rate and other assumptions at the implementation date and is therefore not yet known. Unrecognised actuarial gains and losses are disclosed in Note 18 'Other liabilities' in the 2011 Consolidated Annual Accounts of ING Insurance and amounted to EUR –129 million (pre-tax) as per 31 December 2011 (2010: EUR –734 million pre-tax). The impact of the revised standard will be affected by movements in unrecognised actuarial gains and losses until the effective date and the impact of other changes in the revised standard. Furthermore the revised standard requires the expected return on plan assets to be determined based on a high-quality corporate bond rate, equal to the discount rate of the liability, instead of management's best estimate. The impact of this change for 2013 will depend on the level of the discount rate at the implementation date.

International Financial Reporting Standards as adopted by the EU provide several options in accounting principles. ING Insurance's accounting principles under International Financial Reporting Standards as adopted by the EU and its decision on the options available are set out in the section 'Principles of valuation and determination of results' in the 2011 Consolidated Annual Accounts of ING Insurance.

Certain amounts recorded in the condensed consolidated interim accounts reflect estimates and assumptions made by management. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

Notes to the condensed consolidated interim accounts continued

In 2011, the accounting policy for insurance provisions for Guaranteed Minimum Benefits for Life was changed as disclosed in the Accounting policies and in Note 49 ‘Impact of change in accounting policy’ of the 2011 Consolidated Annual Accounts of ING Insurance.

The presentation of certain terms used in these condensed consolidated interim accounts has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the relevant notes when significant. The presentation of the cash flow statement was amended to separately present the cash amount included in discontinued operations/businesses held for sale.

The comparison of balance sheet items between 30 June 2012 and 31 December 2011 is impacted by the discontinued operations as disclosed in Note 14 ‘Discontinued operations’ and Note 5 ‘Assets and Liabilities held for sale’

2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss

amounts in millions of euros	30 June 2012	31 December 2011
Trading assets	533	534
Investment for risk of policyholders	99,401	116,438
Non-trading derivatives	5,620	7,285
Designated as at fair value through profit and loss	2,436	2,616
	107,990	126,873

3 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments

amounts in millions of euros	30 June 2012	31 December 2011
Equity securities	5,652	6,839
Debt securities	110,871	126,765
	116,523	133,604

Exposure to debt securities

ING Insurance’s total exposure to debt securities is included in the following balance sheet lines:

Debt securities

amounts in millions of euros	30 June 2012	31 December 2011
Available-for-sale investments	110,871	126,765
Loans and advances to customers	6,693	6,681
Available-for-sale investments and At amortised cost	117,564	133,446
Trading assets	15	44
Investments for risk of policyholders	9,548	9,612
Designated as at fair value through profit and loss	1,160	1,159
Financial assets at fair value through profit and loss	10,723	10,815
	128,287	144,261

Notes to the condensed consolidated interim accounts continued

Debt securities by type and balance sheet line (Available-for-sale investments and At amortised cost)

amounts in millions of euros	Available-for-sale investments 30 June 2012	31 December 2011	Loans and advances to customers 30 June 2012	31 December 2011	Total 30 June 2012	31 December 2011
Government bonds	**44,614**	54,732			**44,614**	54,732
Covered bonds	**1,004**	1,118			**1,004**	1,118
Corporate bonds	**42,755**	45,260			**42,755**	45,260
Financial institution bonds	**9,134**	11,700			**9,134**	11,700
Bond portfolio (excluding ABS)	**97,507**	112,810			**97,507**	112,810
US agency RMBS	**5,138**	5,228			**5,138**	5,228
US prime RMBS	**1,247**	1,380			**1,247**	1,380
US Alt-A RMBS	**286**	295			**286**	295
US subprime RMBS	**743**	752			**743**	752
Non-US RMBS	**245**	513	**4,502**	4,515	**4,747**	5,028
CDO/CLO	**146**	183	**337**	505	**483**	688
Other ABS	**1,530**	1,459	**1,523**	1,346	**3,053**	2,805
CMBS	**4,029**	4,145	**331**	315	**4,360**	4,460
ABS portfolio	**13,364**	13,955	**6,693**	6,681	**20,057**	20,636
	110,871	126,765	**6,693**	6,681	**117,564**	133,446

Greece, Italy, Ireland, Portugal and Spain

In the first half of 2010 concerns arose regarding the creditworthiness of certain southern European countries, which later spread to a few other European countries. As a result of these concerns the value of sovereign debt decreased and exposures in those countries are being monitored closely. With regard to the sovereign debt crisis, ING Insurance's main focus is on Greece, Italy, Ireland, Portugal and Spain as these countries have either applied for support from the European Financial Stability Facility ('EFSF') or received support from the ECB via government bond purchases in the secondary market. Within these countries, ING Insurance's main focus is on exposure to Government bonds and Unsecured Financial institutions' bonds.

At 30 June 2012, ING Insurance's balance sheet value of 'Government bonds' and Unsecured Financial institutions' bonds to Greece, Italy, Ireland, Portugal and Spain and the related pre-tax revaluation reserve in equity was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions [1]

amounts in millions of euros	30 June 2012 Balance sheet value	Pre-tax revaluation reserve	Pre-tax impairments	Amortised cost value
Greece				
Government bonds available-for-sale	**17**	**–10**		**27**
Italy				
Government bonds available-for-sale	**1,232**	**–125**		**1,357**
Financial institutions available-for-sale	**77**	**–14**		**91**
Ireland				
Government bonds available-for-sale	**49**	**–4**		**53**
Financial institutions available-for-sale	**15**			**15**
Portugal				
Government bonds available-for-sale	**5**	**–4**		**9**
Financial institutions available-for-sale	**35**	**–3**		**38**
Spain				
Government bonds available-for-sale	**779**	**–199**		**978**
Financial institutions available-for-sale	**115**	**–26**	**–11**	**152**
Total	**2,324**	**–385**	**–11**	**2,720**

[1] Exposures are included based on the country of residence.

Notes to the condensed consolidated interim accounts continued

The revaluation reserve on debt securities includes EUR 3,903 million (pre tax) related to Government bonds. This amount comprises EUR 342 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain, which is more than offset by EUR 4,245 million positive revaluation reserves for Government bonds from other countries.

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions [1]

	31 December 2011			
amounts in millions of euros	Balance sheet value	Pre-tax revaluation reserve	Pre-tax impairments [2]	Amortised cost value
Greece				
Government bonds available-for-sale	104		–352	456
Italy				
Government bonds available-for-sale	1,207	–219		1,426
Financial institutions available-for-sale	83	–21		104
Ireland				
Government bonds available-for-sale	43	–10		53
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	95	–88		183
Financial institutions available-for-sale	47	–17		64
Spain				
Government bonds available-for-sale	866	–118		984
Financial institutions available-for-sale	163	–30		193
Total	2,623	–503	–352	3,478

[1] Exposures are included based on the country of residence.
[2] Pre-tax impairments relate to bonds held at 31 December 2011. In addition, EUR 38 million and EUR 189 million impairments were recognised in 2011 on Greek government bonds and Irish unsecured Financial institutions' bonds that were no longer held at 31 December 2011. The total amount of impairments recognised on Greek Government bonds and Irish unsecured Financial institutions' bonds in 2011 is therefore EUR 390 million and EUR 189 million as explained below.

On 21 July 2011 a Private Sector Involvement to support Greece was announced. This initiative involved a voluntary exchange of existing Greek government bonds together with a Buyback Facility. Based on this initiative, ING impaired its Greek government bonds maturing up to 2020 in the second quarter of 2011 (EUR 123 million). The decrease in market value in the third quarter of 2011 of these impaired bonds is recognised as re-impairment (EUR 70 million). Due to the outcome of the EC meeting on 26 October 2011, the Greek government bonds maturing as from 2020 were impaired in the third quarter of 2011 (EUR 130 million). ING Insurance impaired all its Greek Government bonds to market value at 31 December 2011. This resulted in a re-impairment in the fourth quarter of 2011 of EUR 67 million, bringing the total impairments on Greek government bonds to EUR 390 million. The total Greek government bond portfolio was written down by approximately 80% as at 31 December 2011.

In the first quarter of 2012, the agreement under the Private Sector Involvement ('PSI') to exchange Greek Government bonds into new instruments was executed. Under this exchange, ING received new listed Greek Government bonds (for a notional amount of 31.5% of the notional of the exchanged bonds, maturities between 2023 and 2042), listed European Financial Stability Facility ('EFSF') notes (for a notional amount of 15% of the notional of the exchanged bonds, maturities of one to two years) and listed short-term EFSF notes (maturity of 6 months, in discharge of all unpaid interest accrued on the exchanged bonds). These new securities are recognised as available-for-sale instruments. Furthermore, ING received listed GDP-linked securities issued by Greece (notional equal to notional of the new Greek Government bonds, maturity 2042). The exchange was executed on 12 March 2012. The exchanged bonds were derecognised and the new instruments were recognised at fair value on the exchange date. The exchange resulted in a loss of EUR 7 million in the first quarter of 2012, being the difference between amortised cost (net of cumulative impairments) of the exchanged bonds and fair value of the new instruments at the date of exchange. This result is included in 'Investment income'.

In 2011 ING Insurance recognised a total impairment of EUR 189 million on subordinated debt from Irish banks.

Reference is made to Note 7 'Investment income' for impairments on available-for-sale debt securities. Further information on ING Insurance's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain is provided in Note 15 'Risk exposures Greece, Italy, Ireland, Portugal and Spain' and to the Risk management section of the 2011 Annual Accounts of ING Insurance for more details on ING Insurance's risk exposures to Greece, Italy, Ireland, Portugal and Spain.

Notes to the condensed consolidated interim accounts continued

Reclassifications to Loans and advances to customers (2009)
Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS-EU as of the third quarter of 2008. In the second quarter of 2009 ING Insurance reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers. ING Insurance identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table on the next page provides information on the reclassification made in the second quarter of 2009. Information is provided for the reclassification (see column) as at the date of reclassification and as at the end of the subsequent reporting periods (see rows). This information is disclosed under IFRS-EU as long as the reclassified assets continue to be recognised in the balance sheet. Certain information on prior financial periods was amended to reflect more detailed information that became available compared to previous years.

Notes to the condensed consolidated interim accounts continued

Reclassifications to Loans and advances to customers	
amounts in millions of euros	Q2 2009
As per reclassification date	
Fair value	6,135
Range of effective interest rates (weighted average)	1.4% – 24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in shareholder's equity (before tax)	–896
Recognised fair value gains (losses) in shareholder' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173
Recognised fair value gains (losses) in shareholder's equity (before tax) in the year prior to reclassification	–971
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil
Recognised impairment (before tax) in the year prior to reclassification	nil
Impact on the financial periods after reclassification	
2012	
Carrying value as at 30 June	**2,390**
Fair value as at 30 June	**2,212**
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 30 June	**–234**
Effect on shareholder's equity (before tax) as at 30 June if reclassification had not been made	**–178**
Effect on result (before tax) for as at 30 June if reclassification had not been made	**nil**
Effect on result (before tax) for the six month period ended 30 June (mainly interest income)	**21**
Recognised impairments (before tax) for the six month period ended 30 June	**nil**
Recognised provision for credit losses (before tax) for the six month period ended 30 June	**nil**
2011	
Carrying value as at 31 December	3,057
Fair value as at 31 December	2,883
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	–307
Effect on shareholder's equity (before tax) if reclassification had not been made	–174
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) for the year (mainly interest income)	90
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil
2010	
Carrying value as at 31 December	4,465
Fair value as at 31 December	4,594
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	–491
Effect on shareholder's equity (before tax) if reclassification had not been made	129
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) for the year (mainly interest income)	89
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil
2009	
Carrying value as at 31 December	5,550
Fair value as at 31 December	5,871
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	–734
Effect on shareholder's equity (before tax) if reclassification had not been made	321
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) after the reclassification until 31 December (mainly interest income)	121
Effect on result (before tax) for the year (mainly interest income)	n/a
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil

Notes to the condensed consolidated interim accounts continued

4 INTANGIBLE ASSETS

Intangible assets

amounts in millions of euros	30 June 2012	31 December 2011
Value of business acquired	687	871
Goodwill	334	786
Software	105	135
Other	125	180
	1,251	1,972

Goodwill allocation to reporting units

amounts in millions of euros	30 June 2012	31 December 2011
Insurance Benelux	55	56
Insurance Central & Rest of Europe	116	112
Insurance Asia/Pacific – South Korea		192
Insurance Asia/Pacific – Rest of Asia		44
ING Investment Management	163	382
	334	786

As at 30 June 2012 goodwill of Insurance Asia/Pacific South Korea, Insurance Asia/Pacific Rest of Asia and part of ING Investment Management is no longer included above following the classification as held for sale. Reference is made to Note 5 'Assets and liabilities held for sale' and Note 14 'Discontinued operations'.

5 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale include disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which a sale is agreed upon or a sale is highly probable at the balance sheet date but for which the transaction has not yet fully closed. As at 30 June 2012 this relates to ING's Insurance and Investment Management businesses in Asia ('Asia'). Reference is made to Note 14 'Discontinued operations'. As at 31 December 2011 there were no assets and liabilities held for sale.

Assets held for sale

amounts in millions of euros	30 June 2012
Cash and cash equivalents	1,742
Financial assets at fair value through profit and loss	25,142
Available-for-sale investments	26,845
Loans and advances to customers	2,496
Reinsurance contracts	97
Investments in associates	40
Real estate investments	88
Property and equipment	65
Intangible assets	458
Deferred acquisition costs	5,894
Other assets	1,009
	63,876

Liabilities held for sale

amounts in millions of euros	30 June 2012
Other borrowed funds	4
Insurance and investments contracts	56,825
Financial liabilities at fair value through profit and loss	1,663
Other liabilities	3,067
	61,559

Cumulative other comprehensive income includes EUR 1,592 million (2011: nil) related to Assets and liabilities held for sale.

ING is considering other potential divestments, including those that are listed under the European Commission Restructuring Plan in Note 30 'Related parties' in the ING Insurance 2011 Annual Accounts. However, none of these businesses qualify as held for sale as at 30 June 2012 as the potential divestments are not yet available for immediate sale in their present condition and/or a sale is not yet highly probable to occur.

6 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial liabilities at fair value through profit and loss

amounts in millions of euros	30 June 2012	31 December 2011
Non-trading derivatives	**3,762**	4,404
	3,762	4,404

7 INVESTMENT INCOME

Investment income

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	2012	2011	2012	2011
Income from real estate investments	**14**	15	**30**	27
Dividend income	**100**	96	**140**	125
Income from investments in debt securities	**1,434**	1,263	**2,557**	2,411
Income from loans	**412**	356	**799**	701
Realised gains/losses on disposal of debt securities	**–10**	24	**–35**	45
Impairments of available-for-sale debt securities	**–22**	–172	**–27**	–392
Reversal of impairments of available-for-sale debt securities				4
Realised gains/losses on disposal of equity securities	**43**	70	**203**	147
Impairments of available-for-sale equity securities	**–47**	–16	**–57**	–24
Change in fair value of real estate investments	**–3**	–1	**–37**	–1
	1,921	1,635	**3,573**	3,043

In the second quarter of 2012 impairments include EUR 11 million on Spanish Financial Institution bonds. Reference is made to note 3 'Available-for-sale investments'.

In the second quarter of 2011 impairments of available-for-sale debt securities include EUR 123 million on Greek government bonds that were impacted by the restructuring proposals of July 2011.

In the first half of 2012 impairments include EUR 11 million on Spanish Financial institution bond. Reference is made to Note 3 'Available-for-sale investments'.

In the first half year of 2011 impairments include EUR 303 million (full year 2011: EUR 579 million) on subordinated debt from Irish banks and Greek government bonds that were impacted by the restructuring proposals of July 2011. Reference is made to Note 3 'Available-for-sale investments'.

A loss of EUR 7 million was recognised in the first quarter of 2012 in 'Realised gains/losses on disposal of debt securities' resulting form the exchange of the Greek government bonds. Reference is made to Note 3 'Available-for-sale investments'.

Notes to the condensed consolidated interim accounts continued

Impairments/ reversals of impairments on investments per segment

3 month period	Impairments		Reversal of impairments	
	1 April to 30 June		1 April to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Insurance Benelux	**–59**	–39		
Insurance CRE		–110		
Insurance US	**–9**	–38		
Corporate Line Insurance	**–1**	–1		
	–69	–188		

Impairments/ reversals of impairments on investments per segment

6 month period	Impairments		Reversal of impairments	
	1 January to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Insurance Benelux	**–70**	–219		
Insurance CRE		–120		
Insurance US	**–13**	–76		4
Corporate Line Insurance	**–1**	–1		
	–84	–416		4

8 OTHER INCOME

Other income

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Valuation results on non-trading derivatives	**799**	116	**–842**	–457
Net trading income	**–82**	20	**–33**	205
Result from associates	**9**	54	**43**	113
Other income	**–20**	–1	**–13**	42
	706	189	**–845**	–97

Included in the Valuation results on non trading derivates are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge exposures in Insurance contract liabilities. The fair value movements on the derivates are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in Insurance contract liabilities, which are included in Underwriting expenditure. Reference is made to Note 9 'Underwriting expenditure'.

Valuation results on non-trading derivatives are reflected in the condensed consolidated statement of cash flows in the line 'Result before tax - Adjusted for: other'.

There are no impairments for associates for the three month period and six month period ended 30 June 2012 (2011: Nil).

Notes to the condensed consolidated interim accounts continued

9 UNDERWRITING EXPENDITURE

Underwriting expenditure				
	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Gross underwriting expenditure				
– before effect of investment result for risk of policyholders	**7,139**	5,868	**13,361**	12,916
– effect of investment result risk of policyholders	**–1,640**	144	**5,437**	2,476
	5,499	6,012	**18,798**	15,392
Investment result for risk of policyholders	**1,640**	–144	**–5,437**	–2,476
Reinsurance recoveries	**–614**	–419	**–1,049**	–831
Underwriting expenditure	**6,525**	5,449	**12,312**	12,085

Underwriting expenditure by class				
	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Expenditure from life underwriting				
Reinsurance and retrocession premiums	**371**	301	**697**	635
Gross benefits	**6,771**	5,427	**12,722**	11,240
Reinsurance recoveries	**–611**	–417	**–1,044**	–828
Change in life insurance provisions for risk of company	**–705**	–542	**–1,863**	–687
Costs of acquiring insurance business	**213**	202	**400**	313
Other underwriting expenditure	**145**	119	**300**	246
Profit sharing and rebates	**61**	95	**103**	142
	6,245	5,185	**11,315**	11,061
Expenditure from non-life underwriting				
Reinsurance and retrocession premiums	**5**	6	**29**	30
Gross claims	**269**	261	**545**	527
Reinsurance recoveries	**–2**	–2	**–4**	–4
Change in provision for unearned premiums	**–116**	–97	**237**	244
Change in claims provision	**38**	–4	**78**	12
Costs of acquiring insurance business	**66**	63	**132**	130
Other underwriting expenditure		–1	**1**	–1
	260	226	**1,018**	938
Expenditure from investment contracts				
Costs of acquiring investment contracts	**1**	1	**1**	2
Other changes in investment contract liabilities	**19**	37	**–22**	84
	20	38	**–21**	86
	6,525	5,449	**12,312**	12,085

10 SEGMENT REPORTING

ING Insurance's segments relate to the internal segmentation by business lines. ING Insurance identifies the following segments:

Segments of ING Insurance
Insurance Benelux
Insurance Central & Rest of Europe (CRE)
Insurance United States (US)
Insurance US Closed Block VA
Insurance Asia/Pacific
ING Investment Management (IM)

Notes to the condensed consolidated interim accounts continued

As disclosed in Note 14 ‘Discontinued operations’ the segment Insurance Asia/Pacific ceased to exist as of 30 June 2012.

The Management Board Insurance sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Management Board Insurance.

The accounting policies of the segments are the same as those described under ‘Accounting policies for the consolidated annual accounts of ING’ in the 2011 Consolidated Annual Accounts of ING Insurance. Transfer prices for inter-segment transactions are set at arm’s length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, and/or on the basis of income/assets of the segment.

ING Insurance evaluates the results of its segments using a financial performance measure called underlying result. The information presented in this note is in line with the information presented to the Management Board. Underlying result is defined as result under IFRS-EU excluding the impact of divestments and special items. Disclosures on comparative periods also reflect the impact of current period’s divestments.

The following table specifies the main sources of income of each of the segments:

Specification of the main sources of income in each of the segments

Segment	Main source of income
Insurance Benelux	Income from life insurance, non-life insurance and retirement services in the Benelux.
Insurance CRE	Income from life insurance, non-life insurance and retirement services in Central and Rest of Europe.
Insurance US	Income from life insurance and retirement services in the US.
Insurance US Closed Block VA	Consists of ING’s Closed Block Variable Annuity business in the US, which has been closed to new business since early 2010 and which is now being managed in run-off.
Insurance Asia/Pacific	Income from life insurance and retirement services in Asia/Pacific.
ING IM	Income from investment management activities.

In addition to these segments, ING Insurance reconciles the total segment results to the total result of ING Insurance using the Corporate Line Insurance. The Corporate Line Insurance contains items related to capital management, run-off portfolios, Corporate Reinsurance and remaining activities in Latin America.

Segments Insurance

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Underlying income				
– Gross premium income	**4,739**	4,626	**10,790**	10,954
– Net interest result - banking operations				
– Commission income	**355**	367	**696**	714
– Total investment and other income	**2,627**	1,824	**2,728**	2,946
Total underlying income	**7,720**	6,817	**14,214**	14,614
Underlying expenditure				
– Underwriting expenditure	**6,499**	5,448	**12,287**	12,085
– Operating expenses	**854**	763	**1,667**	1,514
– Other interest expenses	**123**	122	**237**	270
– Other impairments	**8**	3	**12**	7
Total underlying expenses	**7,484**	6,337	**14,203**	13,875
Underlying result before taxation	**236**	480	**11**	739
Taxation	**–97**	80	**–142**	175
Minority interests		4	**18**	15
Underlying net result	**333**	396	**135**	548

Notes to the condensed consolidated interim accounts continued

Reconciliation between Underlying and IFRS-EU income, expenses and net result

3 month period

1 April to 30 June amounts in millions of euros	Income 2012	Income 2011	Expenses 2012	Expenses 2011	Net result 2012	Net result 2011
Underlying	**7,720**	6,817	**7,484**	6,337	**333**	396
Divestments			**–18**	–1	**11**	1
Special items			**51**	–111	**–37**	79
IFRS-EU (continuing operations)	**7,721**	6,817	**7,451**	6,450	**359**	317
Net result from discontinued operations					**111**	216
Net result from classification as discontinued operations					**–180**	
IFRS-EU (continuing and discontinued operations)	**7,720**	6,818	**7,451**	6,450	**290**	532

Divestments in the second quarter of 2011 mainly included the impact of the disposal of Pacific Antai Life Insurance Company Ltd.

Special items in the second quarter of 2012 includes mainly the impact (net of tax) of the new pension scheme for employees in the Netherlands as disclosed in Note 16 'Important events and transactions' which is partially offset by costs related to restructuring programmes and separation expenses. Special items in the second quarter of 2011 mainly reflects restructuring costs.

Reference is made to Note 14 'Discontinued operations' for information on discontinued operations.

Reconciliation between Underlying and IFRS-EU income, expenses and net result

6 month period

1 January to 30 June amounts in millions of euros	Income 2012	Income 2011	Expenses 2012	Expenses 2011	Net result 2012	Net result 2011
Underlying	**14,214**	14,614	**14,203**	13,875	**135**	548
Divestments			**–18**	–4	**11**	4
Special items			**–94**	–189	**74**	143
IFRS-EU (continuing operations)	**14,214**	14,614	**14,316**	14,068	**50**	401
Net result from discontinued operations					**273**	371
Net result from classification as discontinued operations					**–180**	
IFRS–EU (continuing and discontinued operations)	**14,214**	14,614	**14,315**	14,068	**143**	772

Divestments in the first half of 2011 mainly included the impact of the disposal of Pacific Antai Life Insurance Company Ltd.

Special items in the first half of 2012 includes costs related to restructuring programmes and separation expenses partially offset by the impact (net of tax) of the new pension scheme for employees in the Netherlands as disclosed in Note 16 'Important events and transactions'. Special items in the first half of 2011 mainly reflects restructuring costs.

Reference is made to Note 14 'Discontinued operations' for information on discontinued operations.

ING Insurance analyses the underlying result through a margin analysis, which includes the following components:
- Operating result; and
- Non–operating items.

Both are analysed into various sub–components. The total of operating result and non–operating items (gains/losses and impairments, revaluations and market & other impacts) equals underlying result before tax.

To determine the operating result the following non-operating items are adjusted in the reported Underlying result before tax:
- Realised capital gains/losses and impairments on debt and equity securities;
- Revaluations on assets marked to market through the profit and loss account; and

Notes to the condensed consolidated interim accounts continued

- Other non-operating impacts, e.g. provision for guarantees on separate account pension contracts, equity related and other DAC unlocking, VA/FIA Guaranteed Benefit Reserve unlocking and DAC offset on gains/losses on debt securities.

The operating result for the life insurance business is also broken down in expenses and the following sources of income:
- Investment margin which includes the spread between investment income earned and interest credited to insurance liabilities (excluding market impacts, including dividends and coupons);
- Fees and premium-based revenues which includes the portion of life insurance premiums available to cover expenses and profit, fees on deposits and fee income on assets under management (net of guaranteed benefit costs in the United States);
- Technical margin which includes the margin between costs charged for benefits and incurred benefit costs; it includes mortality, morbidity and surrender results; and
- Non-modelled which is non significant and includes parts of the business for which no margins are provided.

Segments Insurance

3 month period 1 April to 30 June 2012 amounts in millions of euros	Insurance Benelux	Insurance CRE	Insurance US	Insurance US Closed Block VA	ING IM	Corporate Line Insurance	Total Insurance
Investment margin	180	15	283	–4	1		475
Fees and premium based revenues	143	103	298	24	196		765
Technical margin	56	43	–8				92
Income non-modelled life business	6	5					11
Life & ING IM operating income	385	166	573	21	197		1,343
Administrative expenses	153	68	222	27	155		625
DAC amortisation and trail commissions	44	54	183	37	1		318
Life & ING IM expenses	197	122	405	64	156		943
Life & ING IM operating result	188	44	168	–43	42		400
Non-life operating result	29	2					31
Corporate Line operating result						–120	–120
Operating result	217	47	168	–43	42	–120	311
Gains/losses and impairments	–50	–13	6			3	–54
Revaluations	–44	20	41	1	10	–8	21
Market & other impacts	–229		–70	258			–42
Underlying result before tax	–106	53	145	216	53	–125	236
Taxation	–38	16	40	–96	19	–38	–97
Minority interests	–2	2					
Underlying net result	–66	36	105	312	33	–87	333

Notes to the condensed consolidated interim accounts continued

Segments Insurance

3 month period 1 April to 30 June 2011 amounts in millions of euros	Insurance Benelux	Insurance CRE	Insurance US	Insurance US Closed Block VA	ING IM	Corporate Line Insurance	Total Insurance
Investment margin	221	20	213	7			461
Fees and premium based revenues	141	124	260	61	191		777
Technical margin	145	48	23	6			222
Income non-modelled life business	8	1					9
Life & ING IM operating income	515	192	496	74	191		1,468
Administrative expenses	142	75	193	20	146		576
DAC amortisation and trail commissions	49	52	149	38	1		288
Life & ING IM expenses	191	127	342	58	147		864
Life & ING IM operating result	324	66	154	17	44		604
Non-life operating result	66	1					67
Corporate Line operating result						–98	–98
Operating result	390	67	154	17	44	–98	573
Gains/losses and impairments		–109	–6	–5		3	–116
Revaluations	7		119		7	–28	106
Market & other impacts	–109		–22	49			–83
Underlying result before tax	288	–42	244	61	52	–122	480
Taxation	34	4	42	–16	20	–5	80
Minority interests	1	3					4
Underlying net result	252	–49	202	77	32	–118	396

Notes to the condensed consolidated interim accounts continued

Segments Insurance

6 month period 1 January to 30 June 2012 amounts in millions of euros	Insurance Benelux	Insurance CRE	Insurance US	Insurance US Closed Block VA	ING IM	Corporate Line Insurance	Total Insurance
Investment margin	324	26	547	2	1		900
Fees and premium based revenues	317	213	585	50	390		1,554
Technical margin	92	89	–15	9			175
Income non-modelled life business	10	10					20
Life & ING IM operating income	743	336	1,116	61	391		2,648
Administrative expenses	308	150	443	51	305		1,258
DAC amortisation and trail commissions	102	110	356	73	1		642
Life & ING IM expenses	410	260	799	124	306		1,900
Life & ING IM operating result	333	77	317	–63	85		748
Non-life operating result	35	3					39
Corporate Line operating result						–209	–209
Operating result	368	80	317	–63	85	–209	578
Gains/losses and impairments	20	–29	24	16		7	39
Revaluations	–251	21	76		15	–17	–156
Market & other impacts	–247		–81	–121			–449
Underlying result before tax	–110	72	336	–168	100	–219	11
Taxation	–76	22	99	–160	37	–63	–142
Minority interests	14	4					18
Underlying net result	–47	46	238	–8	63	–156	135

Notes to the condensed consolidated interim accounts continued

Segments Insurance

6 month period 1 January to 30 June 2011 amounts in millions of euros	Insurance Benelux	Insurance CRE	Insurance US	Insurance US Closed Block VA	ING IM	Corporate Line Insurance	Total Insurance
Investment margin	344	33	429	15			821
Fees and premium based revenues	306	244	528	118	381		1,577
Technical margin	223	89	46	13			371
Income non-modelled life business	18	4					22
Life & ING IM operating income	892	369	1,003	146	381		2,791
Administrative expenses	281	157	375	41	294		1,148
DAC amortisation and trail commissions	114	100	300	74	1		589
Life & ING IM expenses	395	257	675	115	296		1,737
Life & ING IM operating result	497	113	327	31	86		1,054
Non-life operating result	106	2					108
Corporate Line operating result						–224	–224
Operating result	603	115	327	31	86	–224	937
Gains/losses and impairments	–111	–117	–46	1	5	6	–262
Revaluations	16		162	3	12	–1	192
Market & other impacts	–202		–15	87			–129
Underlying result before tax	306	–2	429	122	103	–219	739
Taxation	8	16	126	14	37	–26	175
Minority interests	9	6					15
Underlying net result	289	–24	302	108	65	–193	548

A net reserve inadequacy exists using a prudent (90%) confidence level for the segment Insurance US Closed Block VA. This inadequacy was offset by reserve adequacies in other segments, such that at the Group level there is a net adequacy at the prudent (90%) confidence level.

11 FAIR VALUE OF FINANCIAL ASSETS

The methods used to determine fair value of financial assets and liabilities are disclosed in the 2011 Consolidated Annual Accounts of ING Insurance, including a breakdown of fair value determined by reference to published price quotations in active markets (Level 1), by using Valuation techniques supported by observable inputs (Level 2) and by using Valuation techniques supported by unobservable inputs (Level 3).

12 DIVIDEND PAID

No dividend was paid in the first half of 2012 (2011: nil).

13 ISSUANCES, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES IN ISSUE

Issue of Debt securities in issue

On 8 March 2012, ING launched three separate exchange offers and consent solicitations on a total of three series of senior debt securities of ING Verzekeringen N.V. with a total nominal value of EUR 2.6 billion. Holders had the possibility to exchange the original securities into new securities issued by ING Groep N.V. and / or consent to a modification of existing terms. On average 64% of the holders have accepted the offer to exchange into new securities issued by ING Groep N.V. The total nominal amount of new securities issued by ING Groep N.V. in exchange for the existing ING Verzekeringen N.V. securities is EUR 1,654 million. Approximately 6% of the holders, representing EUR 151 million, accepted a modification of the existing terms of the securities. The transactions were completed on 30 March 2012. A charge of EUR 39 million (EUR 30 million after tax) is recognised in the first quarter of 2012. The settlement date of the exchange offers and consent solicitations was on 4 April 2012.

ING U.S., Inc. (ING U.S.) announced on 16 July 2012 that it completed a private debt offering of USD 850 million principal amount of its 5.5% Senior Notes due 2022.

Notes to the condensed consolidated interim accounts continued

14 DISCONTINUED OPERATIONS

General
Discontinued operations applies to ING's Insurance and asset management businesses in Asia ('Asia') as of 30 June 2012 and ING's pension life insurance and investment management activities in Latin America ('Latin America') as of 30 June 2011.

Net result from discontinued operations

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Asia	**111**	177	**273**	305
Latin America		39		68
Net result from discontinued operations	**111**	216	**273**	373
Net result on classification as discontinued operations	**–180**		**–180**	
Total net result from discontinued operations	**–69**	216	**93**	373

Asia
As of 30 June 2012 the Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance are classified as held for sale and as discontinued operations. Although no divestment transactions have been completed yet, it has been decided to write-off the EUR 180 million goodwill in IIM Korea. IFRS 5 requires a write-off of certain assets, such as goodwill, if a unit is expected to be divested below book value.

For other assets in Asia, such as investments and insurance-related assets, the regular accounting policies continue to apply and the carrying value of these assets is not impacted by the held for sale classification. Negotiations are on-going and it is too early to predict the final financial outcome with respect to the divestments of the operations held for sale.

The Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific and ING Investment Management and in the Corporate Line Insurance before they were classified as discontinued operations. The segment Insurance Asia/Pacific ceased to exist following the classification as discontinued operations as all activities previously included in this segment are now discontinued operations. The net result from discontinued operations is presented separately in the condensed consolidated profit and loss account.

Result from discontinued operations Asia was as follows:

Result from discontinued operations - Asia

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in millions of euros	**2012**	2011	**2012**	2011
Total income	**3,040**	2,259	**4,491**	4,288
Total expenses	**2,878**	2,031	**4,113**	3,881
Result before tax from discontinued operations	**162**	228	**378**	407
Tax related to current pre-tax gross result	**51**	51	**105**	102
Net result from discontinued operations	**111**	177	**273**	305

Net result on classification on discontinued operations Asia of EUR 180 million consists of a goodwill write-off for IIM Korea which was triggered by the presentation of IIM Asia as discontinued operations and the requirement to present certain discontinued operations at the lower of their carrying amount or fair value less costs to sell.

The net cash flow of the Asia discontinued operations was as follows:

Net cash flow from discontinued operations - Asia		
	6 month period	
	1 January to 30 June	
amounts in millions of euros	**2012**	2011
Operating cash flow	**1,959**	1,070
Investing cash flow	**–1,101**	–1,350
Financing cash flow	**–9**	–2
Net cash flow	**849**	–282

Latin America
In December 2011 ING completed the sale of its Latin American operations for a total consideration of EUR 2,637 million to Grupo de Inversiones Suramericana (‘GRUPOSURA’). The sale was the first major step in the divestment of ING’s insurance and investment management activities. Under the terms of the agreement, ING received EUR 2,572 million in cash and GRUPOSURA will assumed EUR 65 million in debt. The sale resulted in a net profit of EUR 995 million. Included in the transaction were the mandatory pension and voluntary savings businesses in Chile, Colombia, Mexico, Uruguay and ING’s 80% stake in AFP Integra S.A. in Peru; the life insurance businesses in Chile and Peru. As part of this transaction ING sold its 33.7% stake in Peruvian InVita Seguros de Vida S.A. to the Wiese Family, ING’s joint venture partner in InVita. The transaction also included the local investment management capabilities in these five countries. Not included in the transaction was ING’s 36% stake in the leading Brazilian insurer Sul America SA. ING’s Commercial Banking activities in Mexico, Brazil and Argentina were not affected by the announcement. ING’s Mortgage and ING’s Leasing businesses in Mexico were also not part of the transaction.

In 2011 the Latin American operations were classified as disposal groups held for sale and as discontinued operations. The Latin American operations were previously included in the segments Insurance Latin America and ING Investment Management before they were classified as discontinued operations. The segment Insurance Latin America ceased to exist following this transaction as the majority of assets and liabilities were sold. The net result from discontinued operations was presented separately in the condensed consolidated profit and loss account. The result of the Latin American operations for the second quarter and first half year of 2011 are presented below:

Result from discontinued operations - Latin America		
2011	3 month period	6 month period
amounts in millions of euros	1 April to 30 June	1 January to 30 June
Total income	219	384
Total expenses	164	298
Result before tax from discontinued operations	55	86
Tax	16	18
Net result from discontinued operations	39	68

The net cash flows from discontinued operations Latin America was as follows:

Net cash flow from discontinued operations - Latin America	
2011	6 month period
amounts in millions of euros	1 January to 30 June
Operating cash flow	33
Investing cash flow	–37
Net cash flow	–4

Notes to the condensed consolidated interim accounts continued

15 RISK EXPOSURES GREECE, ITALY, IRELAND, PORTUGAL AND SPAIN

The table below provides information on ING Insurance's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain. Amounts represent risk exposure values. Exposures are included based on the country of residence.

Greece, Italy, Ireland, Portugal and Spain – Total risk exposures [(1)]

						30 June 2012
amounts in millions of euros	**Greece**	**Italy**	**Ireland**	**Portugal**	**Spain**	**Total**
Residential mortgages and other consumer lending	**12**				**19**	**31**
Financial institutions Lending	**3**				**299**	**302**
Total Lending	**15**				**318**	**333**
RMBS		**390**	**379**	**190**	**373**	**1,332**
Other ABS		**55**	**152**		**138**	**345**
Corporate Bonds	**4**	**701**	**541**	**38**	**385**	**1,669**
Covered Bonds		**18**	**15**		**541**	**574**
Financial institutions Bonds (unsecured)		**91**	**62**	**38**	**133**	**324**
Government Bonds	**27**	**1,357**	**53**	**5**	**978**	**2,420**
Total Debt Securities	**31**	**2,612**	**1,202**	**271**	**2,548**	**6,664**
Real Estate	**36**	**286**		**221**	**416**	**959**
Total risk exposure	**82**	**2,898**	**1,202**	**492**	**3,282**	**7,956**

Footnote: ING Insurance/IIM has no credit risk linked to Cyprus

(1) The exposures reported are credit, market and real estate exposures based on source systems and measurement criteria that can differ from those of similar exposures reported in Note 3 'Available-for-sale investments' of these condensed consolidated interim accounts.

Greece, Italy, Ireland, Portugal and Spain – Total risk exposures [(1)]

						31 December 2011
amounts in millions of euros	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	11				19	30
Financial institutions Lending	5				347	352
Total Lending	16				366	382
RMBS		451	476	130	410	1,467
Other ABS		67	255		90	412
Corporate Bonds	4	696	601	55	460	1,816
Covered Bonds		18	15		675	708
Financial institutions Bonds (unsecured)		105	65	105	178	453
Government Bonds	104	1,425	53	178	984	2,744
Total Debt Securities	108	2,762	1,465	468	2,797	7,600
Real Estate	36	327		228	427	1,018
Total risk exposure	160	3,089	1,465	696	3,590	9,000

(1) The exposures reported are credit, market and real estate exposures based on source systems and measurement criteria that can differ from those of similar exposures reported in Note 3 'Available-for-sale investments' of these condensed consolidated interim accounts.

During 2012, ING further improved the scope and the presentation of the disclosures of exposure on Greece, Italy, Ireland, Portugal and Spain. Furthermore, certain definitions have been improved and/or aligned. Comparative figures as per 31 December 2011 have been amended for ABS exposure. In total these restatements did not have a material impact on ING Insurance's exposure on Greece, Italy, Ireland, Portugal and Spain.

Notes to the condensed consolidated interim accounts continued

16 IMPORTANT EVENTS AND TRANSACTIONS

ING announced on 3 July 2012 that it has finalised its agreement on a new pension scheme for employees in the Netherlands, following acceptance of the new scheme by both the unions and their members. The new pension scheme will take effect on 1 January 2014 and will apply to the approximately 19,000 staff members of ING Bank and Westland Utrecht Bank as well as to the approximately 8,000 staff members in the Netherlands of Insurance/Investment Management (IM). Under the agreement, two new and separate pension funds will be created.

As announced on 1 June 2012, the key elements of the new scheme are:

- ING contributes a yearly pre-defined premium to the funds. The employee contribution to the new scheme will gradually increase to one-third of the base pension premium;
- The minimum salary level at which pensions are provided will be lowered to EUR 15,000;
- Pension benefit will be based on average wage over period of employment with a 2% annual accrual rate;
- The pension funds, not ING, will bear responsibility for funding adequacy; ING Bank and ING Insurance/IM to pay an additional risk premium;
- Responsibility for inflation indexation will move to the new funds; and
- Standard retirement age will be raised to 67.

The new scheme qualifies as a Defined Contribution Scheme under IFRS and will replace the existing Defined Benefit scheme in the Netherlands.

As of the start of the new defined contribution plan on 1 January 2014, the current defined benefit plan will stop accruing new pension benefits. Accruals built up under the defined benefit plan up to that date will remain valid. The change to the new pension scheme represents a curtailment under IFRS and has resulted in a release of provisions previously taken by ING to cover estimated future liabilities in the existing defined benefit plan that are now no longer required. This release amounts to a one-off after-tax gain of EUR 87 million, The curtailment is included in the line Staff expenses in the first half of 2012.

Review report

To: the Shareholder, the Supervisory Board and the Management Board of ING Verzekeringen N.V.

REVIEW REPORT

Introduction
We have reviewed the accompanying condensed consolidated interim accounts for the six month period ended 30 June 2012, of ING Verzekeringen N.V., Amsterdam, which comprises the condensed consolidated balance sheet as at 30 June 2012 and the related condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes for the six month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim accounts in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim accounts based on our review.

Scope of Review
We conducted our review in accordance with Dutch law including Standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at 30 June 2012 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

AMSTERDAM, 7 AUGUST 2012

Ernst & Young Accountants LLP
Signed by A.F.J. van Overmeire

Disclaimer

ING Insurance's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

In preparing the financial information in this document, the same accounting principles are applied as in the 2011 ING Insurance Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made 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 in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of ING's restructuring plan to separate banking and insurance operations, (5) 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, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit-ratings, (18) ING's ability to achieve projected operational synergies and (19) the move towards fair value accounting for Guaranteed Minimum Withdrawal Benefits for the Insurance US Closed Block VA business line and (20) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V.

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. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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