

ING GROUP



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

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Interim report

INTRODUCTION

ING Group evaluates the results of its segments using a financial performance measure called underlying result. 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 divestments. The breakdown of underlying result before tax by business line for banking and insurance activities can be found in Note 13 'Segment Reporting'.

With regard to insurance activities, ING Group 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
- Other non-operating impacts, e.g. provision for guarantees on separate account pension contracts, equity related and other DAC unlocking, Variable Annuities/Fixed Indexed Annuities ("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 into 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 not 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 13 'Segment reporting'.

ING GROUP CONSOLIDATED RESULTS

The first half of 2012 was marked by heightened tension in the Eurozone sovereign debt crisis and prolonged weakness in financial markets combined with a challenging macro-economic environment. Against this backdrop, ING posted a solid first six month net result of EUR 1,851 million.

ING Group showed an underlying result before taxation of EUR 2,116 million, down from EUR 3,397 million in the same period last year. At banking, the underlying result before tax was 20.8% lower than the first half of 2011 mainly due to the negative impact from Credit Valuation Adjustments and Debt Valuation Adjustments ("CVA/DVA") within Commercial banking, fair value changes on own Tier 2 debt combined with the increase in risk costs and de-risking losses relating to RWA migration and the exposure to Southern European debt. Operating results at Insurance decreased by 38.8% as a result of a lower technical margin, higher operating expenses and lower non-life results, while underlying result before tax was 100.6% lower than in the same period last year, reflecting negative results on hedges in the US Closed Block VA and in the Benelux to protect capital, partly offset by capital gains on the sale of public equities in the Benelux.

ING Group's underlying net result was EUR 1,588 million in the first six months of 2012 against EUR 2,497 million in the first six months of 2011. Net result was EUR 1,851 million compared with EUR 2,888 million in the first half of 2011. Net result in the first six months of 2012 included EUR - 309 million of special items, EUR 479 million result on divestments, mainly ING Direct USA, 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 underlying effective tax rate was 22.1%, compared with 25.2% in the first six months of 2011.

Interim report continued

BANKING OPERATIONS

ING's banking underlying result before tax decreased 20.8% to EUR 2,120 million from EUR 2,678 million in the first six months of last year. The first half of 2012 included EUR 217 million of losses on selective de-risking to reduce exposure to southern European debt, mainly related to Spain, and prevent RWA migration, EUR 21 million of impairments on debt and equity securities as well as a EUR 218 million negative impact of credit and debt valuation adjustments (CVA/DVA) at Commercial Banking, while last year was impacted by EUR 162 million of impairments (mainly on Greek government bonds), EUR 44 million of selective de-risking losses and EUR –4 million of CVA/DVA impacts. Excluding aforementioned items in both periods, underlying result before tax declined by EUR 312 million, or 10.8%, mainly due to higher risk costs and lower interest results. The annualised underlying return on average IFRS-EU equity decreased to 8.2% from 11.5% in the first six months of 2011.

Total underlying income decreased 2.7% compared with the first six months of 2011. Interest results fell 2.3%. This was driven by a decline in the interest margin which dropped by 10 basis points to 1.29% in the first six months of 2012, mainly reflecting margin pressure on savings. Commission income declined 5.2% reflecting lower fees in Commercial Banking due to lower deal activity in Industry Lending and Financial Markets/Corporate Finance. Investment income rose to EUR 200 million from a loss of EUR 107 million in the first half of 2011. The improvement was mainly due to a sharp decline in impairments, which dropped to EUR 21 million from EUR 162 million in the same period last year as well as due to gains on the sale of bonds and equities, which were EUR 180 million, up EUR 141 million from a year ago. Other income declined to EUR 171 million from EUR 487 million last year. The decline was mainly attributable to EUR 198 million of losses on selective de-risking (the remaining part of losses on selective de-risking was reported in Investment income) versus a loss of EUR 37 million in the first six months of 2011 as well as the EUR 218 million negative impact of credit and debt valuation adjustments in Commercial Banking compared with EUR 4 million negative in the same period last year.

Underlying operating expenses declined 2.0% to EUR 4,388 million, reflecting ongoing cost-containment measures, lower performance related personnel expenses and a refund from the old deposit guarantee scheme in Belgium, partly offset by the impact of higher salaries and bank levies. The underlying cost/income ratio increased to 58.6% from 58.1% in the first half of 2011.

Net additions to loan loss provisions rose significantly compared with last year reflecting a further deterioration in economic sentiment and its impact on the real economy. Underlying risk costs were EUR 982 million, an increase of 79.9% compared with the first six months of 2011, mainly visible in Commercial Banking and to a lesser extent in Retail Netherlands. Risk costs were annualised 65 basis points of average risk-weighted assets compared with 39 basis points in the first half of 2011.

Retail Netherlands

Retail Netherlands' underlying result before tax decreased to EUR 513 million from EUR 696 million in the first six months of 2011. Income declined due to ongoing margin pressure, mainly on funds entrusted. Operating expenses decreased versus a year ago, reflecting lower personnel costs supported by the announced cost-savings measures. Risk costs increased to EUR 291 million from EUR 168 million in the first six months of last year.

Total underlying income was EUR 1,975 million, down 4.3% on the first half of 2011. Margins on savings remained under pressure, reflecting continued price competition and a shift from variable savings to fixed-term deposits. In the first half of 2012 funds entrusted grew by EUR 7.0 billion supported by the successful campaign for a one-year fixed term deposit. Mortgage production was low, reflecting the uncertainty in the Dutch housing market, but the portfolio still grew in the first six months of this year due to lower redemptions, at higher margins. The Business lending production was also low, showing the uncertain economic environment, resulting in a net outflow of EUR 0.4 billion in the first six months of 2012, particularly in the SME-segment, while margins declined.

Operating expenses decreased by EUR 28 million (or 2.3%) in the first half of this year, mainly driven by lower personnel expenses due to reduced FTE numbers and a lower target remuneration accrual as well as the impact of cost containment measures.

The net addition to loan loss provisions rose to EUR 291 million versus EUR 168 million a year ago. This was largely attributable to higher additions for specific files in the mid-corporate segment, combined with higher risk costs for mortgages, which was impacted by the lower house price indices and higher payment arrears.

Retail Belgium

Retail Belgium's underlying result before tax increased to EUR 334 million from EUR 255 million in the first six months of 2011, due to higher income and lower operating expenses.

The underlying income rose 6.0% to EUR 1,090 million compared to EUR 1,028 million last year, as growth in client balances was accompanied by higher margins, particularly in mortgages and current accounts. Funds entrusted increased by EUR 2.6 billion in the first half of 2012, mainly due to current accounts inflow in the mid-corporate and SME segment. The lending portfolio increased by EUR 2.9 billion, of which EUR 1.0 billion in residential mortgages and EUR 2.0 billion in other lending.



Interim report continued

Operating expenses decreased by EUR 21 million (or 3.0%) compared with the first half of 2011, mainly driven by a EUR 38 million refund of the old deposit guarantee scheme. Excluding this DGS-refund, expenses increased 2.4%, primarily due to higher personnel expenses and new bank levies.

The net addition to the provision for loan losses was up EUR 4 million to EUR 72 million versus EUR 68 million a year ago. First half of 2011 included releases in business lending, while in the first six months of 2012 a new LGD-model in Record Bank was implemented, also resulting in the lower provisions.

Retail Germany

Retail Germany's underlying result before tax decreased to EUR 231 million from EUR 263 million in the first six months of 2011, mainly due to lower interest results and commission income, and despite lower impairments.

The underlying income decreased to EUR 598 million in the first half of 2012 compared to EUR 632 million last year, which included EUR 52 million of impairments on Greek government bonds and EUR 5 million of de-risking losses. The decline was primarily due to lower interest results following margin compression (particularly in savings), combined with lower commission income and the negative impact of hedge inefficiency, while de-risking losses rose to EUR 13 million. Funds entrusted increased by EUR 4.3 billion in the first half of 2012, while the lending portfolio was EUR 1.9 billion higher, of which EUR 1.6 billion in residential mortgages and EUR 0.3 billion in other lending.

Operating expenses increased by EUR 13 million (or 4.1%) compared to the first half of 2011. The increase reflects higher staff numbers and IT costs to support business growth, partly compensated by lower marketing expenses.

The net addition to the provision for loan losses was EUR 39 million versus EUR 54 million a year ago, as a result of lower new defaults.

Retail Rest of World

Retail Rest of World's underlying result before tax dropped to EUR 43 million, which included EUR 198 million of losses on selective de-risking of southern European exposures. In the first six months of 2011, underlying result before tax was EUR 190 million, including EUR 120 million of impairments on Greek government bonds and EUR 39 million of de-risking losses. Excluding these items, underlying result before tax was EUR 241 million, down EUR 108 million on last year.

The underlying income excluding de-risking losses and Greek impairments amounted to EUR 1,298 million, down EUR 19 million (or -1.4%) from last year. The interest margin declined reflecting the low interest rate environment and margin compression, affecting several countries. This was partly compensated by higher income in Turkey (reflecting improved spreads) and a one-off capital gain in Canada. Funds entrusted increased by EUR 1.8 billion in the first half of 2012, primarily led by net inflows in Vysya, Spain, Australia, Turkey and Poland. Net lending production was EUR 2.4 billion, for EUR 1.4 billion attributable to mortgages.

Operating expenses increased by EUR 39 million (or 4.3%) compared to first half of 2011, reflecting higher salary expenses and business growth. The increase was partly offset by lower marketing expenses.

The addition to the provision for loan losses was EUR 134 million versus EUR 83 million a year ago, an increase largely attributable to a specific provision for a CMBS in the UK.

Commercial Banking

Underlying result before tax of Commercial Banking dropped 28.1% to EUR 1,031 million from EUR 1,433 million in the first six months of 2011. This decline was largely attributable to a sharp increase in risk costs, particularly in Industry Lending, while negative effects of CVA/DVA adjustments suppressed this year's income.

Underlying income declined EUR 194 million, or 6.7%, to EUR 2,693 million in the first half of 2012 due to lower income from Industry Lending and Financial Markets. This was partly offset by an increase in income of General Lending & Transaction Services. Income of Bank Treasury, Real Estate & Other was also slightly higher.

The total interest result dropped 6.3% on the first six months of 2011, mainly due to lower interest results of Bank Treasury, Real Estate & Other, which was affected by higher funding costs and a steepening of the yield curves for shorter tenors. Interest result of Industry Lending also dropped, mainly due to margin pressure and a decline in Real Estate Finance's portfolio, but this was largely offset by higher interest results in General Lending & Transaction Services, where margins improved.

Interim report continued

Commission income dropped by EUR 58 million, or 10.8%, on the first six months of 2011, mainly attributable to lower fee income in Industry Lending and lower deal flows in Financial Markets/Corporate Finance. Investment income was up by EUR 85 million, reaching EUR 144 million this year from EUR 59 million in 2011, helped by gains on bonds in the ALM book of Bank Treasury. Other income was 24.8% lower at EUR 310 million, which is a drop of EUR 102 million compared to first half of 2011. The decline was fully attributable to lower income in Financial Markets, which included EUR 218 million of negative CVA/DVA adjustments this year. This was partly offset by a EUR 35 million gain on the sale of an ING Real Estate project in Poland.

Operating expenses amounted to EUR 1,217 million, 5.0% lower compared with the same period in 2011 due to lower performance-related staff costs and a redundancy provision booked in the prior year. The underlying cost/income ratio in the first half of 2012 was 45.2%, compared with 44.4% a year ago.

Net additions to loan loss provisions rose to EUR 445 million from EUR 173 million in the first half of 2011. The increase was mainly due to EUR 255 million higher risk costs in Industry Lending, mainly attributable to Real Estate Finance, while last year included releases from prior provisions in Structured Finance. Risk costs for General Lease activities reported under Bank Treasury, Real Estate & Other also increased, but were largely offset by a decline in General Lending & Transaction Services. Risk costs in first six months of 2012 were annualised 65 basis points of average risk-weighted assets, up from 25 basis points a year ago.

Corporate Line

The Corporate Line Banking reported an underlying result before tax of EUR –30 million compared with EUR –160 million in the first half of last year. Income on capital surplus increased by EUR 69 million due to the lower benefits paid to the business units as a result of a decline in average economic capital following the divestment of ING Direct USA. Financing charges were EUR 54 million lower, as outstanding debt was reduced after the liability management transactions executed at the end of 2011. Realised results on debt securities were EUR 24 million in the first half of 2012, while liquidity costs were up EUR 25 million due to the lengthening of the funding profile. Fair value changes on part of ING Bank's own Tier 2 debt was EUR 68 million negative in the first six months of 2012, compared with EUR 42 million negative in the first six months a year ago.

INSURANCE OPERATIONS

Total underlying result before tax from the insurance operations for the six months ending 30 June 2012 decreased to EUR –4 million from EUR 719 million in the same period last year. Total premium income decreased by EUR 164 million to EUR 10,790 million in the first half 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 the US (EUR 474 million).

Commission income decreased 5.7% to EUR 673 million from EUR 714 million in the first half of 2011. Investment and other income decreased by 7.4% to EUR 2,714 million in the first six months of 2012 compared with EUR 2,930 million in the same period a year ago. Underlying expenditure increased EUR 303 million, from EUR 13,879 million in the first half of 2011 to EUR 14,182 million in the first half of 2012.

Insurance results decreased in the first half of 2012. The operating result of EUR 562 million decreased 38.8% 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 2012 fell to EUR –4 million from EUR 719 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 739 million, or 29.2% lower than the first half of 2011. This decrease was mainly the result of a EUR 196 million decrease in the technical margin and EUR 110 million increase in Life administrative expenses, which were partly offset by a EUR 89 million increase in the investment margin.

The investment margin increased to EUR 900 million from EUR 811 million in the first half of 2011. The increase is fully attributable to the US (excluding US Closed Block VA) as a result of 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.



Interim report continued

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 provisions for guarantees on 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 increase 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, an increase of 9.0%. This increase was 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 –216 million versus EUR –234 million in the first half of 2011. The improvement was the result of - on balance – lower results from the funding activities of Capital Management as well as improved reinsurance results, partly offset by higher unallocated expenses.

The underlying result before tax fell to EUR –4 million from EUR 719 million in the first six months of 2011. The decrease was driven by the lower operating results combined with lower non-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. 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). 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).

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

Market and other impacts were EUR –449 million in the first half of 2012 compared with 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. The US Closed Block VA realised hedge losses, opposed to a gain on hedges, net of reserve changes. The 2011 numbers include a non-recurring DAC adjustment for US Closed Block VA.

Insurance Benelux

Insurance Benelux operating result fell 39.5% in the first six month of 2012 to EUR 359 million, from EUR 593 million in the first half of 2011, 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.

Life investment margin decreased to EUR 324 million versus EUR 335 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 slightly 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. Last year's result included the settlement of an investment contract with a large pension fund in the Netherlands. In the current half year our technical margin is under pressure due to low interest rates leading to increases of the provisions for guarantees on certain group life contracts and 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.

Interim report continued

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

The non-life operating result fell 66.7% 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 2012 decreased by EUR 415 million to EUR –119 million from EUR 296 million in the first half of 2011. Underlying result in the first half of 2012 was impacted by EUR 190 million capital gains on public equities, which was partly offset by the EUR 104 million de-risking impact of capital losses on Portuguese, Italian and Spanish bonds as well as EUR 45 million impairments on other public equities. Revaluations were 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 derivatives. 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 328 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 in 2012 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 mainly driven by 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 remained stable at EUR 85 million, as higher administrative expenses were offset by higher fee and premium based revenues.

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

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Administrative Expenses increased 3.7% from EUR 294 million to EUR 305 million as a result of currency effects.

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 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.

ING GROUP BALANCE SHEET

ING Group's balance sheet decreased by EUR 42 billion to EUR 1,237 billion at 30 June 2012 from EUR 1,279 billion at the end of 2011. 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 which caused large changes per balance sheet item.

Cash and balances with central banks

Cash and balances with central banks decreased to EUR 16 billion from EUR 31 billion at the end of December 2011. This was the result of the deliberate reduction in short-term professional funding, resulting in less overnight deposits placed with central banks.

Amounts due to and from banks

Amounts due from banks increased by EUR 2 billion and amounts due to banks was reduced by EUR 13 billion, thereby lowering short-term professional funding. As a result, net borrowing from banks decreased by EUR 15 billion to EUR 11 billion at the end of June 2012.

Loans and advances to customers

Loans and advances to customers increased by EUR 8 billion to EUR 610 billion at 30 June 2012 from EUR 602 billion at 31 December 2011. EUR 5 billion of this increase was attributable to currency impacts. Excluding currency impacts, the EUR 3 billion growth was due to a EUR 7 billion increase in customer lending (mainly Retail Banking) partly offset by a decrease of EUR 4 billion in securities at amortised cost and IABF receivable due to repayments, run-off and selective de-risking.

Financial assets/liabilities at fair value

Financial assets at fair value through P&L decreased by EUR 18 billion to EUR 245 billion compared with the end of December 2011. This decline was mainly attributable to lower trading securities and derivatives, partly offset by positive revaluations of Investments for risk of policyholders.

Financial liabilities at fair value through P&L were down by EUR 7 billion to EUR 136 billion, mainly as a result of lower repo funding.

Debt securities in issue

Capital and money markets remained challenging in the first half of 2012. The improved liquidity in the market has resulted in clients placing more of their excess cash with ING. As a result debt securities in issue increased by EUR 18 billion to EUR 158 billion reflecting higher short term debt.

Insurance and investment contracts

Insurance and investment contracts decreased by EUR 45 billion to EUR 234 billion, mainly reflecting the transfer of the investments of Insurance/IM Asia Pacific of EUR 57 billion to Liabilities held for sale and an increase in the provision for risk of policyholders, mirroring the movement in the investments for risk of policyholders.

Customer deposits

Customer deposits and other funds on deposit increased by EUR 2 billion to EUR 473 billion, excluding EUR 3 billion of positive currency impacts. The growth was driven by EUR 10 billion higher savings accounts, due to strong net inflows in Retail Banking, coupled with EUR 5 billion increase in credit balances on customer accounts. Corporate deposits declined by EUR 10 billion at comparable currency rates which is in line with ING Bank's strategic direction to optimise the Bank balance sheet.

Shareholders' equity

Shareholders' equity increased by EUR 4 billion to EUR 51 billion, mainly due to the half year net profit of EUR 1.9 billion as well as a higher revaluation reserve.

Interim report continued

CAPITAL MANAGEMENT

ING Bank's core Tier 1 ratio further increased to 11.1% following the sale of ING Direct USA. The Insurance Group Directive Solvency I ratio increased to 240% and ING Group's debt/equity ratio improved to 12.3%.

ING Group

The Group debt/equity ratio improved from 12.7% to 12.3%, reflecting higher shareholders' equity, while Group core debt was almost stable. The Financial Conglomerate Directive (FiCo) ratio for the Group increased to 161% from 149% at the end of December 2011.

ING Bank

ING Bank's core Tier 1 ratio increased to 11.1% from 9.6% at the end of 2011. The main reason for this increase was a reduction in risk-weighted assets of EUR 27 billion, reflecting the sale of ING Direct USA and the de-risking efforts and restructuring of the Financial Markets platform, and the increase of shareholders' equity driven by the net profit in the first half of 2012. The Tier 1 ratio increased from 11.7% at year-end 2011 to 13.4% at the end of June 2012.

ING Insurance

The Insurance Group Directive ratio (IGD) increased to 240% from 225% at year-end 2011. Total capital base increased mainly caused by FX changes. EU required capital slightly increased to EUR 9,864 million from EUR 9,515 million at year-end 2011.

RISK MANAGEMENT**Banking**

ING Bank continued to selectively de-risk its balance sheet in the first half year, including sales of Spanish covered bonds, ABS securities and Real Estate investments, as it works towards optimising local balance sheets ahead of Basel III. Furthermore, market risk-weighted assets were reduced following the restructuring of Financial Markets' activities in emerging markets. Own-originated loans deteriorated slightly with non-performing loans at 2.3%. The Bank's liquidity and funding position improved further, supported by strong net inflows of funds entrusted and the issuance of EUR 15 billion in debt with a maturity longer than one year in the first half of 2012.

- Loan portfolio ING Bank

Loans and advances to customers increased EUR 9 billion to EUR 586 billion in the first half of 2012. The increase is due to currency impacts, growth in mortgages and higher lending to both (mid-) corporates/SMEs and governments. Securities at amortised cost and the Illiquid Assets Back-up Facility (IABF) continued their declining trend from EUR 31 billion by the end of 2011 to EUR 28 billion at the end of June 2012. This decrease is mainly due to de-risking and run-off.

- Risk Costs

ING Bank added EUR 982 million to the loan loss provisions in the first half of 2012, up from the same period last year when risk costs were EUR 546 million. The net additions to the loan loss provisions increased during the first half year as economic conditions deteriorated and restructuring opportunities for existing files declined. Risk costs increased driven by higher risk costs for Real Estate Finance (UK and Australia), Industry Lending (specific file) and the Dutch mortgage portfolio.

- Securities portfolio

The value of the securities portfolio was EUR 121.9 billion at the end of June, of which EUR 117.0 billion was in debt securities and EUR 4.9 billion in equity securities. The EUR 2.4 billion increase in equity securities in the first half-year is due to the Capital One stock received as part of the proceeds of the ING Direct USA sale. Government bonds increased with EUR 11 billion during the first half year, mainly due to restructuring of the IABF (exchanging part of the government receivable for bonds) and including a further build-up of Basel III eligible buffer. The reduction in covered bonds and ABS portfolio largely reflects ING Bank de-risking effort.

- Greece, Italy, Ireland, Portugal, Spain and Cyprus

Greece, Italy, Ireland, Portugal, Spain and Cyprus 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. In Greece, uncertainties have increased during the second quarter although the recent elections have stabilised the political situation.

Furthermore, the European Union ('EU') recently decided that, under certain conditions, the ESM could recapitalise banks, which is especially positive for Spain. The most important condition is setting up a single supervisory mechanism for banks.

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, listed EFSF notes and listed GDP-linked securities issued by Greece.

Interim report continued

Furthermore, ING received listed Short-term EFSF notes in discharge of all unpaid interest on the exchanged bonds. 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 gain of EUR 22 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 result is included in 'Investment income'. ING Bank actively brought down its exposures to Spain by EUR 5 billion in the second quarter of 2012.

- Market risk

The average Value-at-Risk (VaR) increased by EUR 4 million to EUR 24 million in the first half of 2012. This was mainly driven by an increase in interest rate risk in the trading books. The overnight VaR for ING Bank's trading portfolio ranged from EUR 10 million to EUR 32 million.

- Liquidity risk

Although capital markets and money markets improved after the LTROs, these markets remained challenging in the first half of 2012. Nonetheless, ING continued to have ample access to funding at acceptable pricing and has lengthened its funding profile compared with previous periods. Funds entrusted growth developed favourably, especially at Retail Banking, while within Commercial Banking short-term deposits were partly substituted with longer term CD/CP. ING Bank issued EUR 15 billion debt with a maturity longer than one year in the first half of 2012.

Throughout the credit and liquidity crisis, ING has maintained its liquidity position within conservative internal targets. ING Bank's loan-to-deposit ratio, excluding securities that are recorded at amortised costs in loans and advances and the IABF government receivable, edged up slightly to 1.15. Total eligible collateral position at market value was EUR 193 billion at the end of June, compared to EUR 192 billion in December 2011.

Insurance

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 year-end 2011.

- 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 counter intuitive 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.



Interim report continued

At 30 June 2012, ING's P&L sensitivity for interest rate risk and currency movements is relatively limited. Compared to year-end 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.

DIVIDEND

ING's policy is to pay dividends in relation to the long-term underlying development of cash earnings. Dividends will only be paid when the Executive Board considers such a dividend appropriate. Given the uncertain financial environment, increasing regulatory requirements and ING's priority to repay the remaining outstanding core Tier 1 securities, no interim dividend will be paid over the first six months of 2012.

OTHER

Reference is made to Note 22 '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. In Note 16 'Related party transactions' in the Condensed consolidated interim accounts information is provided on related party relationships and transactions. Both disclosures are deemed to be incorporated by reference here.

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.

ING continuously evaluates its portfolio of businesses, in line with its stated objective of sharpening its focus. Within this context, ING announced on 2 August 2012 that it is currently reviewing strategic options for ING Direct Canada and ING Direct UK. These reviews may or may not lead to transactions, and no decisions have yet been made in this regard. ING is committed to conduct these processes with the utmost diligence in the interests of its stakeholders, including customers, employees and shareholders.

Conformity statement

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

The Executive 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 Executive 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 Groep 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 Groep N.V. and the entities included in the consolidation taken as a whole;
- the ING Groep N.V. interim report for the period ended 30 June 2012 includes a fair review of the information required pursuant to article 5:25d, paragraphs 8 and 9 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) regarding ING Groep 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 Executive Board

Patrick G. Flynn

CFO, member of the Executive Board

Wilfred F. Nagel

CRO, member of the Executive Board

Condensed consolidated balance sheet of ING Group

as at

	30 June 2012	31 December 2011
amounts in millions of euros		
ASSETS		
Cash and balances with central banks	16,181	31,194
Amounts due from banks	47,395	45,323
Financial assets at fair value through profit and loss 2	244,584	262,722
Investments 3	205,318	217,407
Loans and advances to customers 4	610,204	602,525
Reinsurance contracts	5,679	5,870
Investments in associates	2,255	2,370
Real estate investments	1,342	1,670
Property and equipment	2,746	2,886
Intangible assets 5	2,929	3,558
Deferred acquisition costs	4,670	10,204
Assets held for sale 6	63,876	62,483
Other assets	30,069	31,016
Total assets	1,237,248	1,279,228
EQUITY		
Shareholders' equity (parent)	50,514	46,663
Non-voting equity securities	3,000	3,000
	53,514	49,663
Minority interests	927	777
Total equity	54,441	50,440
LIABILITIES		
Subordinated loans	9,089	8,858
Debt securities in issue	157,926	139,861
Other borrowed funds	19,560	19,684
Insurance and investment contracts	234,252	278,833
Amounts due to banks	58,874	72,233
Customer deposits and other funds on deposit	472,916	467,547
Financial liabilities at fair value through profit and loss 7	136,341	142,868
Liabilities held for sale 6	61,559	64,265
Other liabilities	32,290	34,639
Total liabilities	1,182,807	1,228,788
Total equity and liabilities	1,237,248	1,279,228

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 Group

for the three and six month period ended

amounts in millions of euros	3 month period		6 month period	
	2012	2011	2012	2011
	1 April to 30 June	1 April to 30 June	1 January to 30 June	1 January to 30 June
Continuing operations				
Interest income banking operations	15,184	16,174	30,465	33,531
Interest expense banking operations	-12,255	-12,861	-24,494	-26,826
Interest result banking operations	2,929	3,313	5,971	6,705
Gross premium income	4,739	4,627	10,790	10,954
Investment income 8	1,975	1,339	3,720	2,719
Commission income	909	1,049	1,782	2,091
Other income 9	798	475	68	578
Total income	11,350	10,803	22,331	23,047
Underwriting expenditure 10	6,539	5,448	12,312	12,085
Addition to loan loss provision	541	370	982	702
Intangible amortisation and other impairments 11	64	51	136	154
Staff expenses	1,394	1,880	3,185	3,748
Other interest expenses	87	12	166	64
Other operating expenses	1,239	1,414	3,073	2,847
Total expenses	9,864	9,175	19,854	19,600
Result before tax from continuing operations	1,486	1,628	2,477	3,447
Taxation	229	323	659	885
Net result from continuing operations	1,257	1,305	1,818	2,562
Discontinued operations				
Net result from discontinued operations 19	111	216	273	373
Net result from classification as discontinued operations 19	-180		-180	
Total net result from discontinued operations	-69	216	93	373
Net result from continuing and discontinued operations (before minority interests)	1,188	1,521	1,911	2,935

amounts in millions of euros	3 month period		6 month period	
	2012	2011	2012	2011
	1 April to 30 June	1 April to 30 June	1 January to 30 June	1 January to 30 June
Net result attributable to:				
Equityholders of the parent	1,171	1,507	1,851	2,888
Minority interests	17	14	60	47
	1,188	1,521	1,911	2,935
Net result from continuing operations attributable to:				
Equityholders of the parent	1,240	1,292	1,758	2,517
Minority interests	17	13	60	45
	1,257	1,305	1,818	2,562
Net result from discontinued operations attributable to:				
Equityholders of the parent	-69	215	93	371
Minority interests		1		2
	-69	216	93	373

Condensed consolidated profit and loss account of ING Group continued

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
amounts in euros	2012	2011	2012	2011
Earnings per share 12				
Basic earnings per ordinary share	0.31	0.18	0.42	0.43
Diluted earnings per ordinary share	0.31	0.18	0.42	0.43
Earnings per share from continuing operations 12				
Basic earnings per ordinary share from continuing operations	0.33	0.12	0.40	0.33
Diluted earnings per ordinary share from continuing operations	0.33	0.12	0.40	0.33
Earnings per share from discontinued operations 12				
Basic earnings per ordinary share from discontinued operations	-0.02	0.06	0.02	0.10
Diluted earnings per ordinary share from discontinued operations	-0.02	0.06	0.02	0.10

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 Group

for the three and six month period ended

	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
Net result for the period from continuing and discontinued operations	1,188	1,521	1,911	2,935
Unrealised revaluations after taxation	1,029	67	2,449	-721
Realised gains/losses transferred to profit and loss	-2	175	-227	213
Changes in cash flow hedge reserve	313	96	404	-208
Transfer to insurance liabilities/DAC	-737	-308	-968	91
Exchange rate differences	1,086	-346	198	-1,942
Other revaluations	1		10	
Total amount recognised directly in equity (other comprehensive income)	1,690	-316	1,866	-2,567
Total comprehensive income	2,878	1,205	3,777	368
Comprehensive income attributable to:				
Equityholders of the parent	2,850	1,212	3,695	338
Minority interests	28	-7	82	30
	2,878	1,205	3,777	368

For the three month period 1 April 2012 to 30 June 2012 the Unrealised revaluations after taxation comprises EUR -13 million (1 April 2011 to 30 June 2011: EUR -5 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 -35 million (1 January 2011 to 30 June 2011: EUR 3 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 14 million (1 April 2011 to 30 June 2011: EUR -22 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 3 million (1 January 2011 to 30 June 2011: EUR -92 million) related to the share of other comprehensive income of associates.

Condensed consolidated statement of cash flows of ING Group

for the six month period ended

amounts in millions of euros	30 June 2012	30 June 2011
Result before tax	2,675	3,940
Adjusted for:		
– depreciation	384	853
– deferred acquisition costs and value of business acquired	–212	–213
– increase in provisions for insurance and investment contracts	716	555
– addition to loan loss provisions	982	702
– other	2,196	–577
Taxation paid	–364	–761
Changes in:		
– amounts due from banks, not available on demand	1,070	–3,134
– trading assets	–36	–1,492
– non-trading derivatives	–74	–957
– other financial assets at fair value through profit and loss	35	283
– loans and advances to customers	–6,669	–15,338
– other assets	–1,678	–857
– amounts due to banks, not payable on demand	–11,816	2,705
– customer deposits and other funds on deposit	2,279	14,631
– trading liabilities	–7,031	–10,733
– other financial liabilities at fair value through profit and loss	544	–868
– other liabilities	1,392	–3,848
Net cash flow from (used in) operating activities	–15,607	–15,109
Investments and advances		
– available-for-sale investments	–73,466	–113,143
– investments for risk of policyholders	–29,891	–27,704
– other investments	–430	–1,253
Disposals and redemptions		
– available-for-sale investments	67,109	105,377
– investments for risk of policyholders	32,387	30,054
– other investments	–6,328	3,082
Net cash flow from (used in) investing activities	–10,619	–3,587
Proceeds from borrowed funds and debt securities	251,007	174,175
Repayments of borrowed funds and debt securities	–236,508	–155,552
Repayment of non-voting equity securities		–2,000
Repurchase premium		–1,000
Other net cash flow from financing activities	131	44
Net cash flow from financing activities	14,630	15,667
Net cash flow	–11,596	–3,029
Cash and cash equivalents at beginning of period	34,279	20,740
Effect of exchange rate changes on cash and cash equivalents	–185	–206
Cash and cash equivalents at end of period	22,498	17,505
Cash and cash equivalents comprises the following items:		
Treasury bills and other eligible bills	3,650	3,808
Amounts due from/to banks	925	–895
Cash and balances with central banks	16,181	12,091
Cash and cash equivalents classified as Assets held for sale	1,742	2,501
Cash and cash equivalents at end of period	22,498	17,505

Condensed consolidated statement of changes in equity of ING Group

for the six month period ended

amounts in millions of euros	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Non-voting equity securities	Minority interests	Total
Balance at 1 January 2012	919	16,034	29,710	46,663	3,000	777	50,440
Unrealised revaluations after taxation			2,448	2,448		1	2,449
Realised gains/losses transferred to profit and loss			-227	-227			-227
Changes in cash flow hedge reserve			404	404			404
Transfer to insurance liabilities/DAC			-968	-968			-968
Exchange rate differences			187	187		11	198
Other revaluations						10	10
Total amount recognised directly in equity			1,844	1,844		22	1,866
Net result for the period			1,851	1,851		60	1,911
Total comprehensive income			3,695	3,695		82	3,777
Changes in the composition of the group						68	68
Purchase/sale of treasury shares			236	236			236
Employee stock option and share plans			-80	-80			-80
Balance at 30 June 2012	919	16,034	33,561	50,514	3,000	927	54,441

amounts in millions of euros	Share capital	Share premium	Reserves	Total share-holders' equity (parent)	Non-voting equity securities	Minority interests	Total
Balance at 1 January 2011	919	16,034	23,951	40,904	5,000	729	46,633
Unrealised revaluations after taxation			-721	-721			-721
Realised gains/losses transferred to profit and loss			213	213			213
Changes in cash flow hedge reserve			-208	-208			-208
Transfer to insurance liabilities/DAC			91	91			91
Exchange rate differences			-1,925	-1,925		-17	-1,942
Total amount recognised directly in equity			-2,550	-2,550		-17	-2,567
Net result for the period			2,888	2,888		47	2,935
Total comprehensive income			338	338		30	368
Repayment of non-voting equity securities					-2,000		-2,000
Repurchase premium ⁽¹⁾			-1,000	-1,000			-1,000
Changes in the composition of the group						79	79
Dividends						-6	-6
Purchase/sale of treasury shares			38	38			38
Employee stock option and share plans			8	8			8
Balance at 30 June 2011	919	16,034	23,335	40,288	3,000	832	44,120

⁽¹⁾ Repurchase premium paid on the repayment of EUR 2 billion non-voting equity securities

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 ING Group Consolidated Annual Accounts, except for the amendments referred to below.

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

Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets' became effective for ING Group 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 Group.

The following new or revised standards and interpretations were issued by the International Accounting Standards Board (IASB), which become effective for ING Group 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 Group 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 Group.

Furthermore, in 2009 IFRS 9 'Financial Instruments-Classification and measurement' was issued, which was initially effective as of 2013. However in December 2011 the International Accounting Standards Board 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 Group.

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 21 'Other liabilities' in the 2011 ING Group Consolidated Annual Accounts and amounted to EUR 481 million (pre-tax) as per 31 December 2011 (2010: EUR –1,731 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 Group'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 ING Group Consolidated Annual Accounts.

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 was changed for insurance provisions for Guaranteed Minimum Benefits for Life as disclosed in the Accounting policies and in Note 56 'Impact of change in accounting policy' of the 2011 ING Group Consolidated Annual Accounts. In 2012, changes were made to the segment reporting as disclosed in Note 13 'Segment Reporting' of these condensed consolidated interim accounts.

The presentation of and 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. This amendment resulted in an increase of Cash and cash equivalents at the beginning of the period of EUR 4,980 million due to inclusion of balances classified as Assets held for sale.

The comparison of balance sheet items between 30 June 2012 and 31 December 2011 is impacted by the disposed companies as disclosed in Note 14 'Acquisitions and disposals' and by the held for sale classification as disclosed in Note 6 'Assets and liabilities held for sale' and Note 19 'Discontinued operations'.

Reference is made to the section ING Group Balance sheet in the Interim report for comments on changes in certain balance sheet amounts.

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	123,915	123,688
Investment for risk of policyholders	99,401	116,438
Non-trading derivatives	15,811	17,159
Designated as at fair value through profit and loss	5,457	5,437
	244,584	262,722

3 INVESTMENTS

Investments by type		
amounts in millions of euros	30 June 2012	31 December 2011
Available-for-sale		
– equity securities	10,538	9,305
– debt securities	187,519	199,234
	198,057	208,539
Held-to-maturity		
– debt securities	7,261	8,868
	7,261	8,868
	205,318	217,407

Notes to the condensed consolidated interim accounts *continued***Exposure to debt securities**

ING Group's 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	187,519	199,234
Held-to-maturity investments	7,261	8,868
Loans and advances to customers	33,627	29,117
Amounts due from banks	6,164	7,321
Available-for-sale investments and Assets at amortised cost	234,571	244,540
Trading assets	12,889	18,251
Investments for risk of policyholders	9,548	9,612
Designated as at fair value through profit and loss	3,003	2,967
Financial assets at fair value through profit and loss	25,440	30,830
	260,011	275,370

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

	Available-for-sale investments		Held-to-maturity investments		Loans and advances to customers		Amounts due from banks		Total	
amounts in millions of euros	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Government bonds	96,293	101,988	650	881	7,892	1,081			104,835	103,950
Covered bonds	8,019	7,655	5,902	7,209	6,450	7,468	5,730	6,591	26,101	28,923
Corporate bonds	43,725	46,348			405	425			44,130	46,773
Financial Institutions' bonds	23,767	26,892	352	421	137	134	434	736	24,690	28,183
Bond portfolio (excluding ABS)	171,804	182,883	6,904	8,511	14,884	9,108	6,164	7,327	199,756	207,829
US agency RMBS	5,600	5,630							5,600	5,630
US prime RMBS	1,263	1,398							1,263	1,398
US Alt-A RMBS	471	451							471	451
US subprime RMBS	766	774							766	774
Non-US RMBS	1,470	1,640			13,189	14,066		-6	14,659	15,700
CDO/CLO	314	238			583	921			897	1,159
Other ABS	1,686	1,900	357	357	3,508	3,536			5,551	5,793
CMBS	4,145	4,320			1,463	1,486			5,608	5,806
ABS portfolio	15,715	16,351	357	357	18,743	20,009		-6	34,815	36,711
	187,519	199,234	7,261	8,868	33,627	29,117	6,164	7,321	234,571	244,540

In connection with the divestment of ING Direct USA, ING completed the restructuring of the agreement with the Dutch State concerning the Illiquid Assets Back-Up Facility (IABF), which was announced on 16 June 2011. As a result of the restructuring, EUR 7.3 billion (USD 9.5 billion) of the loan due from the Dutch State was converted into Dutch Government Debt Securities. These debt securities are classified as Loans and advances to customers. The remaining balance as at 30 June 2012 amounts to EUR 6.8 billion (USD 8.5 billion). Reference is made to Note 14 'Acquisitions and disposals'.

Greece, Italy, Ireland, Portugal, Spain and Cyprus

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 Group's main focus is on Greece, Italy, Ireland, Portugal, Spain and Cyprus 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 Group's main focus is on exposure to Government bonds and Unsecured Financial institutions' bonds.

Notes to the condensed consolidated interim accounts *continued*

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

Greece, Italy, Ireland, Portugal, Spain and Cyprus - Government bonds and Unsecured Financial institutions' bonds ⁽¹⁾

	30 June 2012				
amounts in millions of euros	Balance sheet value	Pre-tax revaluation reserve	Pre-tax impairments	Amortised cost value	Fair value of investments held-to-maturity
Greece					
Government bonds available-for-sale	26	-18		44	
Italy					
Government bonds available-for-sale	2,103	-281		2,384	
Government bonds at amortised cost (loans)	105			105	
Financial institutions available-for-sale	562	-36		598	
Financial institutions at amortised cost (held-to-maturity)	30			30	30
Financial institutions at amortised cost (loans)	134			134	
Ireland					
Government bonds available-for-sale	49	-4		53	
Financial institutions available-for-sale	30			30	
Financial institutions at amortised cost (held-to-maturity)	34			34	34
Portugal					
Government bonds available-for-sale	526	-117		643	
Financial institutions available-for-sale	68	-8		76	
Spain					
Government bonds available-for-sale	1,069	-319		1,388	
Government bonds at amortised cost (held-to-maturity)	170			170	167
Financial institutions available-for-sale	133	-30	-11	174	
Cyprus					
Government bonds available-for-sale	14	-5		19	
Total	5,053	-818	-11	5,882	231

⁽¹⁾ Exposures are included based on the country of residence.

The revaluation reserve on debt securities includes EUR 4,592 million (pre-tax) related to Government bonds. This amount comprises EUR 744 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal, Spain and Cyprus, which is more than offset by EUR 5,336 million of positive revaluation reserves for Government bonds from other countries.

Notes to the condensed consolidated interim accounts continued

Greece, Italy, Ireland, Portugal, Spain and Cyprus - Government bonds and Unsecured Financial institutions' bonds ⁽¹⁾

	31 December 2011				
amounts in millions of euros	Balance sheet value	Pre-tax revaluation reserve	Pre-tax impairments ⁽²⁾	Amortised cost value	Fair value of investments held-to-maturity
Greece					
Government bonds available-for-sale	255		-940	1,195	
Italy					
Government bonds available-for-sale	2,033	-443		2,476	
Government bonds at amortised cost (loans)	97			97	
Financial institutions available-for-sale	632	-62		694	
Financial institutions at amortised cost (held-to-maturity)	30			30	28
Financial institutions at amortised cost (loans)	131			131	
Ireland					
Government bonds available-for-sale	43	-10		53	
Financial institutions available-for-sale	59	-1		60	
Financial institutions at amortised cost (held-to-maturity)	34			34	35
Financial institutions at amortised cost (loans)	122			122	
Portugal					
Government bonds available-for-sale	533	-299		832	
Financial institutions available-for-sale	125	-32		157	
Spain					
Government bonds available-for-sale	1,190	-203		1,393	
Government bonds at amortised cost (held-to-maturity)	170			170	170
Financial institutions available-for-sale	258	-35		293	
Financial institutions at amortised cost (loans)	85	-1		86	
Cyprus					
Government bonds available-for-sale	12	-7		19	
Total	5,809	-1,093	-940	7,842	233

⁽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 978 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 (Bank: EUR 187 million, Insurance: EUR 123 million). The decrease in market value in the third quarter of 2011 of these impaired bonds is recognised as re-impairment (Bank: EUR 91 million, Insurance: 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 (Bank: EUR 177 million, Insurance: EUR 130 million). ING Group 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 200 million (Bank: EUR 133 million, Insurance: EUR 67 million), bringing the total impairments on Greek government bonds to EUR 978 million (Bank: EUR 588 million, Insurance: 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 gain of EUR 15 million (Bank: EUR 22 million; Insurance: 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.

Notes to the condensed consolidated interim accounts *continued*

Reference is made to Note 8 'Investment income' for impairments on available-for-sale debt securities. Further information on ING Group's risk exposure with regard to Greece, Italy, Ireland, Portugal, Spain and Cyprus is provided in Note 20 'Risk exposures Greece, Italy, Ireland, Portugal, Spain and Cyprus' and the Risk management section of the 2011 ING Group Consolidated Annual Accounts for more details on ING Group's risk exposures to Greece, Italy, Ireland, Portugal and Spain.

Reclassifications to Loans and advances to customers and Amounts due from banks (2009 and 2008)

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 and first quarter of 2009 and in the fourth quarter of 2008 ING Group reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. The Group 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 three reclassifications made in the second and first quarter of 2009 and the fourth quarter of 2008. Information is provided for each of the three reclassifications (see columns) 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.

Reclassifications to Loans and advances to customers and Amounts due from banks

amounts in millions of euros	Q2 2009	Q1 2009	Q4 2008
As per reclassification date			
Fair value	6,135	22,828	1,594
Range of effective interest rates (weighted average)	1.4%–24.8%	2.1%–11.7%	4.1%–21%
Expected recoverable cash flows	7,118	24,052	1,646
Unrealised fair value losses in shareholders' equity (before tax)	–896	–1,224	–69
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173	nil	–79
Recognised fair value gains (losses) in shareholders' equity (before tax) in the year prior to reclassification	–971	–192	–20
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification	nil	nil	nil
Recognised impairment (before tax) in the year prior to reclassification	nil	nil	nil
Impact on the financial periods after reclassification:			
2012			
Carrying value as at 30 June	2,390	12,275	486
Fair value as at 30 June	2,212	11,103	522
Unrealised fair value losses recognised in shareholders' equity (before tax) as at 30 June	–234	–347	–3
Effect on shareholders' equity (before tax) as at 30 June if reclassification had not been made	–178	–1,172	36
Effect on result (before tax) for the six month period ended 30 June if reclassification had not been made	nil	nil	nil
Effect on result (before tax) for the six month period ended 30 June (mainly interest income)	21	161	11
Recognised impairments (before tax) for the six month period ended 30 June	nil	nil	nil
Recognised provision for credit losses (before tax) for the six month period ended 30 June	nil	nil	nil
2011			
Carrying value as at 31 December	3,058	14,419	633
Fair value as at 31 December	2,883	13,250	648
Unrealised fair value losses recognised in shareholders' equity (before tax) as at 31 December	–307	–446	–8
Effect on shareholders' equity (before tax) if reclassification had not been made	–174	–1,169	15
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) for the year (mainly interest income)	90	390	28
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil

Notes to the condensed consolidated interim accounts continued

Reclassifications to Loans and advances to customers and Amounts due from banks (continued)

amounts in millions of euros	Q2 2009	Q1 2009	Q4 2008
2010			
Carrying value as at 31 December	4,465	16,906	857
Fair value as at 31 December	4,594	16,099	889
Unrealised fair value losses recognised in shareholders' equity (before tax) as at 31 December	-491	-633	-65
Effect on shareholders' equity (before tax) if reclassification had not been made	129	-807	32
Effect on result (before tax) if reclassification had not been made	nil	nil	nil
Effect on result (before tax) for the year (mainly interest income)	89	467	34
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil
2009			
Carrying value as at 31 December	5,550	20,551	1,189
Fair value as at 31 December	5,871	20,175	1,184
Unrealised fair value losses recognised in shareholders' equity (before tax) as at 31 December	-734	-902	-67
Effect on shareholders' equity (before tax) as at 31 December if reclassification had not been made	321	-376	-5
Effect on result (before tax) as at 31 December if reclassification had not been made	nil	nil	nil
Effect on result (before tax) after the reclassification until 31 December (mainly interest income)	121	629	n/a
Effect on result (before tax) for the year (mainly interest income)	n/a	n/a	47
Recognised impairments (before tax)	nil	nil	nil
Recognised provision for credit losses (before tax)	nil	nil	nil
2008			
Carrying value as at 31 December			1,592
Fair value as at 31 December			1,565
Unrealised fair value losses recognised in shareholders' equity (before tax) as at 31 December			-79
Effect on shareholders' equity (before tax) as at 31 December if reclassification had not been made			-28
Effect on result (before tax) if reclassification had not been made			nil
Effect on result (before tax) after the reclassification until 31 December (mainly interest income)			9
Recognised impairments (before tax)			nil
Recognised provision for credit losses (before tax)			nil

4 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by banking and insurance operations

amounts in millions of euros	30 June 2012	31 December 2011
Banking operations	588,032	577,919
Insurance operations	28,285	32,972
	616,317	610,891
Eliminations	-6,113	-8,366
	610,204	602,525

Loans and advances to customers by type – banking operations

amounts in millions of euros	30 June 2012	31 December 2011
Loans to, or guaranteed by, public authorities	61,484	58,925
Loans secured by mortgages	331,576	325,009
Loans guaranteed by credit institutions	8,260	8,639
Personal lending	25,025	24,401
Asset backed securities	12,050	13,328
Corporate loans	155,072	152,560
	593,467	582,862
Loan loss provisions	-5,435	-4,943
	588,032	577,919

Notes to the condensed consolidated interim accounts *continued***Changes in loan loss provisions**

	Banking operations		Insurance operations		Total	
	6 month period ended 30 June 2012	year ended 31 December 2011	6 month period ended 30 June 2012	year ended 31 December 2011	6 month period ended 30 June 2012	year ended 31 December 2011
amounts in millions of euros						
Opening balance	4,950	5,195	124	117	5,074	5,312
Changes in the composition of the group		-3	-3	-2	-3	-5
Write-offs	-566	-1,304	-24	-24	-590	-1,328
Recoveries	66	112		2	66	114
Increase in loan loss provisions	982	1,670	16	33	998	1,703
Exchange rate differences	43	-83	2	-2	45	-85
Other changes	-21	-637			-21	-637
Closing balance	5,454	4,950	115	124	5,569	5,074

Changes in loan loss provisions relating to insurance operations are presented under Investment income. Changes in the loan loss provisions relating to banking operations are presented under Addition to loan loss provision on the face of the profit and loss account.

In 2011, Other changes relates for EUR 565 million to the reclassification of ING Direct USA as a disposal group held for sale. Reference is made to Note 6 'Assets and liabilities held for sale'.

The loan loss provision relating to banking operations at 30 June 2012 of EUR 5,454 million (31 December 2011: EUR 4,950 million) is presented in the balance sheet under Loans and advances to customers and Amounts due from banks for EUR 5,435 million (31 December 2011: EUR 4,943 million) and EUR 19 million (31 December 2011: EUR 7 million) respectively.

5 INTANGIBLE ASSETS**Intangible assets**

	30 June 2012	31 December 2011
amounts in millions of euros		
Value of business acquired	687	871
Goodwill	1,391	1,794
Software	643	611
Other	208	282
	2,929	3,558

Allocation of Goodwill to reporting units

The allocation of goodwill to reporting units was changed as a consequence of the changes in segments as disclosed in the first quarter of 2012. There was no impact on the impairment test.

Notes to the condensed consolidated interim accounts **continued**

Goodwill is allocated to reporting units as follows:

Goodwill allocation to reporting units		
	30 June 2012	31 December 2011
amounts in millions of euros		
Retail Banking Netherlands	1	1
Retail Banking Belgium	50	50
Retail Banking Germany	349	349
Retail Banking Central Europe	787	738
Retail Banking International – Other	15	15
Commercial Banking	24	25
Insurance Benelux	49	48
Insurance Central & Rest of Europe	116	112
Insurance Asia/Pacific – South Korea		192
Insurance Asia/Pacific – Rest of Asia		44
ING Investment Management		220
	1,391	1,794

As at 30 June 2012 goodwill of Insurance Asia/Pacific South Korea, Insurance Asia/Pacific Rest of Asia and part of the ING Investment Management is no longer included above following the classification as held for sale. Reference is made to Note 6 'Assets and liabilities held for sale' and to Note 19 'Discontinued operations'.

6 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') as disclosed in Note 19 'Discontinued operations'. As at 31 December 2011 this related to ING Direct USA. The sale of ING Direct USA to Capital One was closed in February 2012. Reference is made to Note 14 'Acquisitions and disposals'.

Assets held for sale		
	30 June 2012	31 December 2011
amounts in millions of euros		
Cash and balances with central banks	1,742	4,980
Amounts due from banks		314
Financial assets at fair value through profit and loss	25,142	3
Available-for-sale investments	26,845	22,605
Held-to-maturity investments		444
Loans and advances to customers	2,496	31,805
Reinsurance contracts	97	
Investments in associates	40	
Real estate investments	88	
Property and equipment	65	75
Intangible assets	458	166
Deferred acquisition costs	5,894	
Other assets	1,009	2,091
	63,876	62,483

Liabilities held for sale		
	30 June 2012	31 December 2011
amounts in millions of euros		
Other borrowed funds	4	
Insurance and investments contracts	56,825	
Customer deposits and other funds on deposit		64,103
Financial liabilities at fair value through profit and loss	1,663	
Other liabilities	3,067	162
	61,559	64,265

Cumulative other comprehensive income includes EUR 1,592 million (31 December 2011: EUR 244 million) related to Assets and liabilities held for sale.

Notes to the condensed consolidated interim accounts *continued*

ING Group is considering other potential divestments, including those that are listed under the European Commission Restructuring Plan in Note 33 'Related parties' in the 2011 ING Group Consolidated 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.

7 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
Trading liabilities	100,651	107,682
Non-trading derivatives	21,921	22,165
Designated as at fair value through profit and loss	13,769	13,021
	136,341	142,868

The change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk in the first half of 2012 includes EUR –306 million (first half of 2011: EUR –9 million; entire year 2011: EUR 377 million) and includes EUR 289 million (31 December 2011: EUR 595 million) on a cumulative basis.

8 INVESTMENT INCOME**Investment income**

3 month period	Banking operations		Insurance operations		Total	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Income from real estate investments	4	8	14	15	18	23
Dividend income	27	13	100	96	127	109
Income from investments in debt securities			1,434	1,261	1,434	1,261
Income from loans			390	237	390	237
Realised gains/losses on disposal of debt securities	51	40	–9	23	42	63
Impairments of available-for-sale debt securities	–8	–215	–22	–172	–30	–387
Reversals of impairments of available-for-sale debt securities		1				1
Realised gains/losses on disposal of equity securities	11	9	43	71	54	80
Impairments of available-for-sale equity securities	–8	–13	–47	–16	–55	–29
Change in fair value of real estate investments	–2	–19	–3		–5	–19
	75	–176	1,900	1,515	1,975	1,339

In the second quarter of 2012 impairments include EUR 11 million on Spanish Financial Institutions' bonds. Reference is made to Note 3 'Investments'.

In the second quarter of 2011 impairments include EUR 310 million on Greek government bonds that were impacted by the restructuring proposals of July 2011. Reference is made to Note 3 'Investments'.

Investment income

6 month period	Banking operations		Insurance operations		Total	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Income from real estate investments	12	16	30	27	42	43
Dividend income	33	15	140	124	173	139
Income from investments in debt securities			2,557	2,412	2,557	2,412
Income from loans			746	484	746	484
Realised gains/losses on disposal of debt securities	165	54	–35	44	130	98
Impairments of available-for-sale debt securities	–9	–222	–27	–393	–36	–615
Reversals of impairments of available-for-sale debt securities		43		4		47
Realised gains/losses on disposal of equity securities	15	22	203	147	218	169
Impairments of available-for-sale equity securities	–12	–14	–57	–24	–69	–38
Change in fair value of real estate investments	–4	–19	–37	–1	–41	–20
	200	–105	3,520	2,824	3,720	2,719

Notes to the condensed consolidated interim accounts *continued*

In the first half of 2012 impairments include EUR 11 million on Spanish Financial Institutions' bonds. Reference is made to Note 3 'Investments'.

In the first half of 2011 impairments include EUR 490 million (full year 2011: EUR 1,167 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 'Investments'.

A gain of EUR 15 million was recognised in the first quarter of 2012 in 'Realised gains/losses on disposal of debt securities' resulting from the exchange of the Greek Government bonds. Reference is made to Note 3 'Investments'.

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
Retail Belgium	-1	-8		
Retail Germany		-52		
Retail Rest of World		-145		
Commercial Banking	-13	-23		1
Insurance Benelux	-59	-39		
Insurance CRE		-110		
Insurance US	-9	-38		
Corporate Line Banking	-2			
Corporate Line Insurance	-1	-1		
	-85	-416		1

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
Retail Belgium	-1	-8		
Retail Germany		-52		
Retail Rest of World		-151		
Commercial Banking	-16	-25		43
Insurance Benelux	-70	-219		
Insurance CRE		-120		
Insurance US	-13	-76		4
Corporate Line Banking	-4			
Corporate Line Insurance	-1	-2		
	-105	-653		47

9 OTHER INCOME

Other income

3 month period	Banking operations		Insurance operations		Total	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Result on disposal of group companies		42				42
Valuation results on non-trading derivatives	43	28	803	113	846	141
Net trading income	156	162	-87	23	69	185
Result from associates	5	33	9	50	14	83
Other income	-111	25	-20	-1	-131	24
	93	290	705	185	798	475

Notes to the condensed consolidated interim accounts *continued***Result from associates**

3 month period	Banking operations		Insurance operations		Total	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Share of results from associates	5	34	9	50	14	84
Impairments		-1				-1
	5	33	9	50	14	83

Other income

6 month period	Banking operations		Insurance operations		Total	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Result on disposal of group companies	742	42			742	42
Valuation results on non-trading derivatives	-410	368	-840	-468	-1,250	-100
Net trading income	649	64	-35	216	614	280
Result from associates	10	47	41	108	51	155
Other income	-76	159	-13	42	-89	201
	915	680	-847	-102	68	578

Results on disposal of group companies includes the sale of ING Direct USA. Reference is made to Note 14 'Acquisition and disposals'.

Included in the Valuation results on non-trading derivatives 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 derivatives 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 10 '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'.

Result from associates

6 month period	Banking operations		Insurance operations		Total	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Share of results from associates	10	61	41	108	51	169
Impairments		-14				-14
	10	47	41	108	51	155

10 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	7,153	5,867	13,361	12,916
– effect of investment result for risk of policyholders	-1,640	144	5,437	2,476
	5,513	6,011	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	6,539	5,448	12,312	12,085

Notes to the condensed consolidated interim accounts *continued***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
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	159	119	300	246
Profit sharing and rebates	61	95	103	142
	6,259	5,185	11,315	11,061
Expenditure from non-life underwriting				
Reinsurance and retrocession premiums	5	6	29	30
Gross claims	269	260	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	225	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
	6,539	5,448	12,312	12,085

11 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS**Intangible amortisation and (reversals of) impairments**

3 month period	Impairment losses		Reversals of impairments		Total	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Property and equipment	6	4	-1	-1	5	3
Property development	44	36			44	36
Software and other intangible assets	1				1	
(Reversals of) other impairments	51	40	-1	-1	50	39
Amortisation of other intangible assets					14	12
					64	51

In the second quarter of 2012 EUR 44 million impairments are recognised on Property development (Commercial Banking segment) relating to various real estate development projects (including the United Kingdom, Italy and Spain) due to worsening market conditions.

In the second quarter of 2011 EUR 36 million impairments are recognised on Property development (Commercial Banking segment) that is based on the reassessment of Spanish real estate development projects.

Notes to the condensed consolidated interim accounts *continued***Intangible amortisation and (reversals of) impairments**

6 month period	Impairment losses		Reversals of impairments		Total	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
amounts in millions of euros	2012	2011	2012	2011	2012	2011
Property and equipment	10	8	-3	-3	7	5
Property development	103	101			103	101
Software and other intangible assets	1	21			1	21
(Reversals of) other impairments	114	130	-3	-3	111	127
Amortisation of other intangible assets					25	27
					136	154

In the first half of 2012 EUR 103 million impairments are recognised on Property development (Commercial Banking segment) relating to various real estate development projects (including the United Kingdom, Italy and Spain) due to worsening market conditions.

In the first half of 2011 EUR 101 million impairments are recognised on Property development (Commercial Banking segment) of which EUR 59 million is due to the sale or termination of large projects in Germany and the Netherlands and EUR 43 million is based on the reassessment of Spanish real estate development projects and a small part relates to foreclosure property in the United States.

12 EARNINGS PER ORDINARY SHARE**Earnings per ordinary share**

3 month period	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
	2012	2011	2012	2011	2012	2011
Net result	1,171	1,507	3,796.1	3,784.6		
Attribution to non-voting equity securities		-835				
Basic earnings	1,171	672	3,796.1	3,784.6	0.31	0.18
Dilutive instruments:						
Stock option and share plans			5.4	7.6		
			5.4	7.6		
Diluted earnings	1,171	672	3,801.5	3,792.2	0.31	0.18

Attribution to non-voting equity securities

The attribution to non-voting equity securities represents the amount that would be payable on the non-voting equity securities if and when the entire net result for the period would be distributed as dividend. This amount is only included for the purpose of determining earnings per share under IFRS-EU and does not represent a payment (neither actual nor proposed) to the holders of the non-voting equity securities.

The first quarter of 2011 includes an attribution of EUR 425 million, being the coupon payable on the non-voting equity securities if and when the net result of the first quarter would be distributed as dividend. In the second quarter, EUR 2 billion of non-voting equity securities were repaid. The cumulative attribution for the first half of 2011 is EUR 260 million (i.e. a positive impact of EUR 165 million in the second quarter of 2011). The total attribution in the second quarter of 2011 also includes the premium of EUR 1 billion paid in relation to the repurchase of the EUR 2 billion non-voting equity securities during the period.

Dilutive instruments

Diluted earnings per share is calculated as if the stock options and share plans outstanding at the end of the period had been exercised at the beginning of the period and assuming that the cash received from exercised stock options and share plans is used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising stock options and share plans is added to the average number of shares used for the calculation of diluted earnings per share.

Notes to the condensed consolidated interim accounts **continued**

The potential conversion of the non-voting equity securities has an anti-dilutive effect on the earnings per share calculation in 2012 and 2011 (the diluted earnings per share becoming higher or less negative than the basic earnings per share). Therefore, the potential conversion is not taken into account in the calculation of diluted earnings per share for these periods.

Earnings per ordinary share from continuing operations

3 month period

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
	2012	2011	2012	2011	2012	2011
Basic earnings	1,171	672	3,796.1	3,784.6		
Less: Net result from discontinued operations	-69	215				
Basic earnings from continuing operations	1,240	457	3,796.1	3,784.6	0.33	0.12
Dilutive instruments:						
Stock option and share plans			5.4	7.6		
			5.4	7.6		
Diluted earnings from continuing operations	1,240	457	3,801.5	3,792.2	0.33	0.12

Earnings per ordinary share from discontinued operations

3 month period

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	1 April to 30 June		1 April to 30 June		1 April to 30 June	
	2012	2011	2012	2011	2012	2011
Net result from discontinued operations	111	215				
Net result from classification as discontinued operations	-180					
Total net result from discontinued operations	-69	215	3,796.1	3,784.6		
Basic earnings from discontinued operations	-69	215	3,796.1	3,784.6	-0.02	0.06
Dilutive instruments:						
Stock option and share plans			5.4	7.6		
			5.4	7.6		
Diluted earnings from discontinued operations	-69	215	3,801.5	3,792.2	-0.02	0.06

Earnings per ordinary share

6 month period

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
	2012	2011	2012	2011	2012	2011
Net result	1,851	2,888	3,790.7	3,783.4		
Attribution to non-voting equity securities	-255	-1,260				
Basic earnings	1,596	1,628	3,790.7	3,783.4	0.42	0.43
Dilutive instruments:						
Stock option and share plans			5.4	7.6		
			5.4	7.6		
Diluted earnings	1,596	1,628	3,796.1	3,791.0	0.42	0.43

Notes to the condensed consolidated interim accounts *continued***Earnings per ordinary share from continuing operations**

6 month period

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
	2012	2011	2012	2011	2012	2011
Basic earnings	1,596	1,628	3,790.7	3,783.4		
Less: Net result from discontinued operations	93	371				
Basic earnings from continuing operations	1,503	1,257	3,790.7	3,783.4	0.40	0.33
Dilutive instruments:						
Stock option and share plans			5.4	7.6		
			5.4	7.6		
Diluted earnings from continuing operations	1,503	1,257	3,796.1	3,791.0	0.40	0.33

Earnings per ordinary share from discontinued operations

6 month period

	Amount (in millions of euros)		Weighted average number of ordinary shares outstanding during the period (in millions)		Per ordinary share (in euros)	
	1 January to 30 June		1 January to 30 June		1 January to 30 June	
	2012	2011	2012	2011	2012	2011
Net result from discontinued operations	273	371				
Net result on classification as discontinued operations	-180					
Total net result from discontinued operations	93	371	3,790.7	3,783.4		
Basic earnings from discontinued operations	93	371	3,790.7	3,783.4	0.02	0.10
Dilutive instruments:						
Stock option and share plans			5.4	7.6		
			5.4	7.6		
Diluted earnings from discontinued operations	93	371	3,796.1	3,791.0	0.02	0.10

13 SEGMENT REPORTING**a. General**

ING Group's segments relate to the internal segmentation by business lines. As of 2012 the internal management reporting structure for the banking operations was changed in order to improve transparency and to reflect the impact of the divestments of ING Direct USA and ING Real Estate Investment Management. The segments have changed accordingly. The comparatives have been adjusted to reflect the new segment structure for the banking operations. No changes were made to the segments of the insurance operations. ING Group identifies the following segments:

Segments of ING Group

Banking	Insurance
Retail Netherlands	Insurance Benelux
Retail Belgium	Insurance Central & Rest of Europe (CRE)
Retail Germany	Insurance United States (US)
Retail Rest of World	Insurance US Closed Block VA
Commercial Banking	Insurance Asia/Pacific
	ING Investment Management (IM)

As disclosed in Note 19 'Discontinued operations' as of 30 June 2012 the segment Insurance Asia/Pacific ceased to exist.

In 2011, ING Group identified the following segments for banking operations: Retail Netherlands, Retail Belgium, ING Direct, Retail Central Europe, Retail Asia, Commercial Banking (excluding Real Estate), ING Real Estate and Corporate Line Banking.

Notes to the condensed consolidated interim accounts **continued**

Retail Banking Germany (previously part of ING Direct) is now a separate segment. The remainder of ING Direct is combined with Retail Central Europe and Retail Asia into one new segment Retail Rest of World. ING Real Estate is included in Commercial Banking.

The Executive Board of ING Group, the Management Board Banking and the Management Board Insurance set the performance targets and approve and monitor 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 Executive Board, the Management Board Banking and 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 ING Group Consolidated Annual Accounts. 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, or on the basis of income, expenses and/or assets of the segment.

ING Group 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 Executive and 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 of each of the segments	
Segment	Main source of income
Retail Netherlands	Income from retail and private banking activities in the Netherlands, including the SME and mid-corporate segments. The main products offered are current and savings accounts, business lending, mortgages and other consumer lending in the Netherlands.
Retail Belgium	Income from retail and private banking activities in Belgium, including the SME and mid-corporate segments. The main products offered are similar to those in the Netherlands.
Retail Germany	Income from retail and private banking activities in Germany. The main products offered are current and savings accounts, mortgages and other customer lending.
Retail Rest of World	Income from retail banking activities in the rest of the world, including the SME and mid-corporate segments in specific countries. The main products offered are similar to those in the Netherlands.
Commercial Banking	Income from wholesale banking activities (a full range of products is offered from cash management to corporate finance), real estate and lease.
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 United States.
Insurance US Closed Block VA	Consists of ING's Closed Block Variable Annuity business in the United States, 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 Group reconciles the total segment results to the total result of ING Banking and ING Insurance using the Corporate Line Banking and Corporate Line Insurance. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in. The Corporate Line Insurance contains items related to capital management, run-off portfolios, Corporate Reinsurance and remaining activities in Latin America.

Notes to the condensed consolidated interim accounts *continued***b. ING Group****Segments ING Group total**

3 month period

1 April to 30 June 2012

amounts in millions of euros

	Total Banking	Total Insurance	Elimi- nations	Total
Underlying income				
– Gross premium income		4,739		4,739
– Net interest result - banking operations	2,953		–25	2,929
– Commission income	569	346		916
– Total investment and other income	167	2,620	–15	2,772
Total underlying income	3,689	7,705	–39	11,355
Underlying expenditure				
– Underwriting expenditure		6,513		6,513
– Operating expenses	2,098	827		2,925
– Other interest expenses		127	–39	87
– Additions to loan loss provision	541			541
– Other impairments	56	8		64
Total underlying expenses	2,695	7,475	–39	10,131
Underlying result before taxation	995	229		1,224
Taxation	261	–99		162
Minority interests	20	–2		17
Underlying net result	714	331		1,045

Segments ING Group total

3 month period

1 April to 30 June 2011

amounts in millions of euros

	Total Banking	Total Insurance	Elimi- nations	Total
Underlying income				
– Gross premium income		4,626		4,626
– Net interest result - banking operations	3,054		–2	3,051
– Commission income	589	367		955
– Total investment and other income	21	1,815	–114	1,722
Total underlying income	3,663	6,808	–117	10,355
Underlying expenditure				
– Underwriting expenditure		5,448		5,448
– Operating expenses	2,172	762		2,933
– Other interest expenses		123	–117	6
– Additions to loan loss provision	304			304
– Other impairments	42	3		45
Total underlying expenses	2,518	6,336	–117	8,738
Underlying result before taxation	1,145	472		1,617
Taxation	253	80		333
Minority interests	11	1		12
Underlying net result	881	390		1,271

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		Expenses		Net result	
	2012	2011	2012	2011	2012	2011
Underlying	11,355	10,355	10,131	8,738	1,045	1,271
Divestments		482	18	291	-10	130
Special items	-4	-33	-284	147	206	-109
IFRS-EU (continuing operations)	11,350	10,803	9,864	9,175	1,240	1,292
Net result from discontinued operations	3,040	2,478	2,878	2,195	111	215
Net result from classification as discontinued operations					-180	
IFRS-EU (continuing and discontinued operations)	14,391	13,281	12,743	11,371	1,171	1,507

Divestments in the second quarter of 2011 reflect the results on the sale of Clarion Partners and Pacific Antai Life Insurance Company Ltd as well as the operating results of the in 2011 and 2012 divested units.

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 22 '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 include costs related to the combination of the Dutch retail activities, the Belgium retail transformation, further restructuring at ING Real Estate following the announced sale of ING REIM (reference is made to Note 14 'Acquisitions and disposals'), costs related to the separation of Banking and Insurance and restructuring costs.

Reference is made to Note 19 'Discontinued operations' for information on Discontinued operations.

Segments ING Group total

6 month period

1 January to 30 June 2012

amounts in millions of euros

	Total Banking	Total Insurance	Eliminations	Total
Underlying income				
– Gross premium income		10,790		10,790
– Net interest result - banking operations	6,005		-34	5,971
– Commission income	1,115	673		1,788
– Total investment and other income	371	2,714	-41	3,044
Total underlying income	7,490	14,178	-75	21,593
Underlying expenditure				
– Underwriting expenditure		12,287		12,287
– Operating expenses	4,263	1,642		5,905
– Other interest expenses		241	-75	166
– Additions to loan loss provision	982			982
– Other impairments	125	12		137
Total underlying expenses	5,370	14,182	-75	19,477
Underlying result before taxation	2,120	-4		2,116
Taxation	614	-146		467
Minority interests	47	14		60
Underlying net result	1,460	128		1,588

Notes to the condensed consolidated interim accounts *continued***Segments ING Group total**

6 month period

1 January to 30 June 2011

amounts in millions of euros

	Total Banking	Total Insurance	Elimi- nations	Total
Underlying income				
– Gross premium income		10,954		10,954
– Net interest result - banking operations	6,145		–5	6,140
– Commission income	1,176	714		1,890
– Total investment and other income	380	2,930	–207	3,102
Total underlying income	7,700	14,598	–213	22,085
Underlying expenditure				
– Underwriting expenditure		12,085		12,085
– Operating expenses	4,363	1,517		5,880
– Other interest expenses		271	–213	58
– Additions to loan loss provision	546			546
– Other impairments	112	7		119
Total underlying expenses	5,022	13,879	–213	18,688
Underlying result before taxation	2,678	719		3,397
Taxation	680	175		855
Minority interests	36	9		45
Underlying net result	1,961	535		2,497

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		Expenses		Net result	
	2012	2011	2012	2011	2012	2011
Underlying	21,593	22,085	19,477	18,688	1,588	2,497
Divestments	743	995	18	617	479	247
Special items	–4	–33	359	295	–309	–226
IFRS-EU (continuing operations)	22,331	23,047	19,854	19,600	1,758	2,517
Net result from discontinued operations	4,491	4,672	4,113	4,179	273	371
Net result from classification as discontinued operations					–180	
IFRS-EU (continuing and discontinued operations)	26,822	27,719	23,967	23,779	1,851	2,888

Divestments in the table above in the first half of 2012 reflect mainly the result on the sale of ING Direct USA. Divestments in the first half of 2011 reflect the results on the sale of IIM Philippines, two real estate funds of REIM Australia and Clarion Partners and Pacific Antai Life Insurance Company Ltd as well as the operating results of the in 2011 and 2012 divested units.

Special items in the first half of 2012 include the impact (net of tax) of the settlement with US authorities as disclosed in Note 21 'Update on regulatory measures and law enforcement agencies investigations', costs related to restructuring programmes and separation expenses and an offsetting impact (net of tax) related to the new pension scheme for employees in the Netherlands as disclosed in Note 22 'Important events and transactions'. Special items in the first half of 2011 include costs related to the combination of the Dutch retail activities, the Belgium retail transformation, further restructuring at ING Real Estate following the announced sale of ING REIM (reference is made to Note 14 'Acquisitions and disposals'), costs related to the separation of Banking and Insurance and restructuring costs.

Reference is made to Note 19 'Discontinued operations' for information on Discontinued operations.

Notes to the condensed consolidated interim accounts *continued***c. Banking activities****Segments Banking**

3 month period

1 April to 30 June 2012

amounts in millions of euros	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Rest of World	Commer- cial Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	844	431	284	517	853	23	2,953
– Commission income	128	86	20	74	258	3	569
– Total investment and other income	2	25	–17	–94	178	72	167
Total underlying income	974	543	287	498	1,290	97	3,689
Underlying expenditure							
– Operating expenses	576	324	162	469	547	19	2,098
– Additions to loan loss provision	161	28	25	49	278		541
– Other impairments *	4				44	7	56
Total underlying expenses	741	352	187	518	870	26	2,695
Underlying result before taxation	233	191	100	–20	420	71	995
Taxation	56	50	34	6	103	14	261
Minority interests				14	5		20
Underlying net result	178	141	66	–40	312	57	714

* analysed as a part of operating expenses.

Segments Banking

3 month period

1 April to 30 June 2011

amounts in millions of euros	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Rest of World	Commer- cial Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	893	391	329	527	933	–20	3,054
– Commission income	110	82	27	81	291	–3	589
– Total investment and other income	10	31	–51	–123	130	25	21
Total underlying income	1,013	504	306	485	1,353	2	3,663
Underlying expenditure							
– Operating expenses	597	351	158	445	585	35	2,172
– Additions to loan loss provision	90	50	21	40	104		304
– Other impairments *	1				33	7	42
Total underlying expenses	688	401	179	485	722	43	2,518
Underlying result before taxation	325	103	126	0	631	–40	1,145
Taxation	82	27	37	–21	127		253
Minority interests		–1		12			11
Underlying net result	242	77	89	9	503	–40	881

* analysed as a part of operating expenses.

Notes to the condensed consolidated interim accounts *continued***Segments Banking**

6 month period

1 January to 30 June 2012

amounts in millions of euros	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Rest of World	Commer- cial Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	1,708	837	577	1,016	1,759	109	6,005
– Commission income	251	179	45	154	481	5	1,115
– Total investment and other income	16	75	–24	–69	454	–80	371
Total underlying income	1,975	1,090	598	1,100	2,693	34	7,490
Underlying expenditure							
– Operating expenses	1,164	684	328	923	1,114	50	4,263
– Additions to loan loss provision	291	72	39	134	445		982
– Other impairments *	7				103	14	125
Total underlying expenses	1,463	756	367	1,057	1,662	65	5,370
Underlying result before taxation	513	334	231	43	1,031	–30	2,120
Taxation	127	95	75	35	287	–6	614
Minority interests		2		29	15		47
Underlying net result	386	236	156	–21	728	–25	1,460

* analysed as a part of operating expenses.

Segments Banking

6 month period

1 January to 30 June 2011

amounts in millions of euros	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Rest of World	Commer- cial Banking	Corporate Line Banking	Total Banking
Underlying income							
– Net interest result	1,796	793	643	1,054	1,877	–19	6,145
– Commission income	234	180	61	165	539	–5	1,176
– Total investment and other income	32	55	–73	–61	471	–45	380
Total underlying income	2,063	1,028	632	1,158	2,887	–68	7,700
Underlying expenditure							
– Operating expenses	1,195	705	315	884	1,188	77	4,363
– Additions to loan loss provision	168	68	54	83	173		546
– Other impairments *	4			1	92	15	112
Total underlying expenses	1,366	773	369	968	1,454	92	5,022
Underlying result before taxation	696	255	263	190	1,433	–160	2,678
Taxation	175	69	87	45	321	–16	680
Minority interests				28	7		36
Underlying net result	521	187	176	117	1,106	–144	1,961

* analysed as a part of operating expenses.

d. Insurance activities

With regard to insurance activities, ING Group 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.

Notes to the condensed consolidated interim accounts **continued**

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 also broken down into 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 not 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	Insu- rance Benelux	Insu- rance CRE	Insu- rance US	Insu- rance US Closed	ING IM	Corpo- rate Line Insu- rance	Total Insu- rance
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	1	5					6
Life & ING IM operating income	381	166	573	21	197		1,338
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	184	44	168	-43	42		395
Non-life operating result	29	2					31
Corporate Line operating result						-122	-122
Operating result	212	47	168	-43	42	-122	304
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	-111	53	145	216	53	-127	229
Taxation	-40	16	40	-96	19	-39	-99
Minority interests	-2	2				-2	-2
Underlying net result	-69	36	105	312	33	-87	331

Notes to the condensed consolidated interim accounts *continued***Segments Insurance**

3 month period

1 April to 30 June 2011

amounts in millions of euros	Insu- rance Benelux	Insu- rance CRE	Insu- rance US	Insu- rance US Closed Block VA	ING IM	Corpo- rate Line Insu- rance	Total Insu- rance
Investment margin	216	20	213	7			455
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	509	192	496	74	191		1,463
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	318	66	154	17	44		599
Non-life operating result	66	1					67
Corporate Line operating result						-100	-100
Operating result	384	67	154	17	44	-100	565
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	282	-42	244	61	52	-125	472
Taxation	33	4	42	-16	20	-3	80
Minority interests	1	3				-3	1
Underlying net result	248	-49	202	77	32	-119	390

Segments Insurance

6 month period

1 January to 30 June 2012

amounts in millions of euros	Insu- rance Benelux	Insu- rance CRE	Insu- rance US	Insu- rance US Closed Block VA	ING IM	Corpo- rate Line Insu- rance	Total Insu- rance
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	1	10					11
Life & ING IM operating income	734	336	1,116	61	391		2,639
Administrative expenses	308	150	443	51	305		1,258
DAC amortisation and trail commissions	102	110	356	73	1		642
Life & ING IM expenses	411	260	799	124	306		1,900
Life & ING IM operating result	324	77	317	-63	85		739
Non-life operating result	35	3					39
Corporate Line operating result						-216	-216
Operating result	359	80	317	-63	85	-216	562
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	-119	72	336	-168	100	-226	-4
Taxation	-79	22	99	-160	37	-64	-146
Minority interests	14	4				-4	14
Underlying net result	-54	46	238	-8	63	-157	128

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	335	33	429	15			811
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	882	369	1,003	146	381		2,781
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	487	113	327	31	86		1,044
Non-life operating result	106	2					108
Corporate Line operating result						-234	-234
Operating result	593	115	328	31	86	-234	918
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	296	-2	429	122	103	-228	719
Taxation	5	16	126	14	37	-24	175
Minority interests	9	6				-6	9
Underlying net result	282	-24	302	108	65	-198	535

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.

14 ACQUISITIONS AND DISPOSALS**Acquisitions**

There were no acquisitions in the first half of 2012.

Disposals**ING Direct USA**

In June 2011 ING announced that it reached an agreement to sell ING Direct USA to Capital One Financial Corporation, a leading US-based financial holding company. In February 2012, ING announced that the transaction has been closed. Total proceeds of the transaction are approximately USD 9.0 billion (or approximately EUR 6.9 billion) including USD 6.3 billion in cash and USD 2.7 billion in the form of 54.0 million shares in Capital One, based on the share price of USD 49.29. These shares represented a 9.7% stake in Capital One at closing and are included in Available-for-sale equity securities under Investments. The transaction has resulted in a positive result after tax of approximately EUR 0.5 billion. This result includes the release of the currency translation reserve and the available-for-sale reserve. The net negative cash proceeds from the divestment of ING Direct USA of EUR 10.3 billion (being the net amount of cash received of EUR 4.8 billion and cash included in the divestment of EUR 15.1 billion) is included in the cash flow statement in 'Disposals and redemptions - other investments'.

In 2011 ING Direct USA was previously included in the segment ING Direct.

In connection with the divestment of ING Direct USA, ING also completed the adjustment of the agreement with the Dutch State concerning the structure of the Illiquid Assets Back-Up Facility (IABF) which was also announced on 16 June 2011. The amendment serves to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State. The IABF is further amended to ensure a continued alignment between ING and the State regarding exposure to the Alt-A portfolio. Only the part of the IABF covering ING Direct USA, currently approximately 85% of the total IABF-portfolio, is adjusted in the amendment. The ING Insurance part of the IABF remains unaltered. Reference is made to Note 33 'Related parties' in the 2011 ING Group Consolidated Annual Accounts for the details on the original agreement and the amendments made.

Notes to the condensed consolidated interim accounts **continued****15 FAIR VALUE OF FINANCIAL ASSETS**

The methods used to determine fair value of financial assets and liabilities are disclosed in the 2011 ING Group Consolidated Annual Accounts, 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).

16 RELATED PARTY TRANSACTIONS

In the normal course of business, the Group enters into various transactions with related companies. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions have taken place on an arm's length basis and include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral.

Transactions with related parties (Joint ventures and associates) and Key management personnel compensation are disclosed in Note 33 'Related parties' in the 2011 ING Group Consolidated Annual Accounts. Following the transactions as disclosed in Note 33 'Related parties', the Dutch State is also a related party of ING Group. All other transactions between ING Group and the Dutch State are of a normal business nature and on an arm's length basis. In the first quarter of 2012, the agreement with the Dutch State on the IABF was adjusted as disclosed in Note 14 'Acquisitions and disposals'. No other material changes in related party transactions occurred.

17 DIVIDEND PAID

No dividend was paid in the first half of 2012.

18 ISSUANCES, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES IN ISSUE**Issue of Debt securities in issue**

In total ING Bank issued EUR 15.4 billion debt with a tenor of more than one year in the capital markets (including both unsecured debt and covered bonds) during the first half of 2012. All issues are part of ING's regular medium-term funding operations.

Although ING did not participate in the Longer Term Refinancing Operation by the ECB in February 2012, the improved liquidity in the market has resulted in clients placing more of their excess cash with ING. As a result, Debt securities in issue increased. In the second quarter of 2012, ING Bank issued EUR 3.6 billion of medium-term debt, mainly senior unsecured, bringing the year-to-date total issuance to EUR 15.4 billion.

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 Group 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 Group. The total nominal amount of new securities issued by ING Group 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 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.

19 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.

Total 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 from classification as discontinued operations Asia	-180		-180	
Total net result from discontinued operations	-69	216	93	373

Notes to the condensed consolidated interim accounts **continued****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 of Asia was as follows:

amounts in millions of euros	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	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	51	51	105	102
Net result from discontinued operations	111	177	273	305

The net cash flow from discontinued operations Asia was as follows:

amounts in millions of euros	6 month period	
	1 January to 30 June 2012	1 January to 30 June 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 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.

Notes to the condensed consolidated interim accounts *continued*

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 results of the Latin American operations for the second quarter and first half of 2011 are presented below:

Result from discontinued operations - Latin America

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

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

Net cash flow from discontinued operations - Latin America

2011	6 month period
	1 January - 30 June
amounts in millions of euros	
Operating cash flow	33
Investing cash flow	-37
Financing cash flow	
Net cash flow	-4

Notes to the condensed consolidated interim accounts **continued****20 RISK EXPOSURES GREECE, ITALY, IRELAND, PORTUGAL, SPAIN AND CYPRUS**

The table below provides information on ING'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, except for certain securitisations which are included based on the country of risk to better reflect the real country exposure. CDS exposures in all countries are to Financial institutions.

Greece, Italy, Ireland, Portugal and Spain - Total risk exposures ^{(1) (2)}						
	30 June 2012					
amounts in millions of euros	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	14	7,238	4	3	9,353	16,612
Corporate Lending	317	8,882	739	1,023	6,462	17,423
Financial institutions Lending	4	346	1	89	641	1,081
Government Lending	0	202	0	0	59	261
Total Lending	335	16,668	744	1,115	16,515	35,377
RMBS	97	1,172	1,007	769	3,450	6,495
CMBS	0	0	298	0	0	298
Other ABS	0	357	159	100	193	809
Corporate Bonds	4	776	555	79	388	1,802
Covered Bonds	0	236	350	154	13,537	14,277
Financial Institutions' bonds (unsecured)	0	716	119	56	150	1,041
Government Bonds ⁽³⁾	45	2,481	53	637	1,206	4,422
Total Debt Securities	146	5,738	2,541	1,795	18,924	29,144
Real Estate ⁽⁴⁾	36	396	0	297	584	1,313
Trading excluding CDS exposures	0	551	32	5	95	683
Sold CDS protection	0	14	1	0	43	58
Bought CDS protection	-6	-26	-6	0	-8	-46
Trading including CDS protection	-6	539	27	5	130	695
Undrawn committed facilities	168	1,226	407	124	2,805	4,730
Pre-settlement exposures ⁽⁵⁾	73	572	377	16	679	1,717
Total risk exposure	752	25,139	4,096	3,352	39,637	72,976

⁽¹⁾ Total risk exposures to companies registered in Cyprus were approximately EUR 1 billion as per end of June, which consisted mostly of corporate lending (EUR 0.8 billion) and Financial Markets trades (EUR 0.2 billion). Majority of the corporate lending risk exposures were either deals with country of risk outside of Cyprus, Letter of credits or Trade Commodity Finance with maturity less than 3 months. Therefore, net credit risk linked to Cyprus is not material for ING Bank. ING Insurance/IM has no credit risk linked to Cyprus.

⁽²⁾ 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 'Investments' of these condensed consolidated interim accounts.

⁽³⁾ In the second quarter of 2012 ING Bank bought CDS protection on the Spanish government for a nominal amount of EUR 264 million. This amount has been netted with exposure on the Spanish government bonds.

⁽⁴⁾ Real Estate includes Real Estate Development, Real Estate Investments and Property in Own Use; it does not include (indirect) exposure through Real Estate Finance, which is reflected in Total Lending and Total Debt Securities.

⁽⁵⁾ Pre-settlement exposure is exposure typically existing of dealing room products such as options, swaps, and securities financing transactions. This exposure is based on the replacement value (Marked-To-Market) of each product plus potential future volatility concept.

Notes to the condensed consolidated interim accounts *continued***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	14	7,027	4	3	9,176	16,224
Corporate Lending	307	9,011	422	996	7,092	17,828
Financial institutions Lending	6	853	57	139	2,038	3,093
Government Lending	0	195	0	0	55	250
Total Lending	327	17,086	483	1,138	18,361	37,395
RMBS	127	1,315	1,094	752	4,131	7,419
CMBS	0	0	310	0	0	310
Other ABS	0	400	371	101	170	1,042
Corporate Bonds	4	772	616	97	562	2,051
Covered Bonds ⁽²⁾	0	236	350	172	16,835	17,593
Financial Institutions' bonds (unsecured)	0	819	274	164	366	1,623
Government Bonds	254	2,557	54	809	1,508	5,182
Total Debt Securities	385	6,099	3,069	2,095	23,572	35,220
Real Estate ⁽²⁾	36	429	0	319	632	1,416
Trading excluding CDS exposures	0	569	33	7	261	870
Sold CDS protection	0	9	1	0	64	74
Bought CDS protection	-3	-29		0	-13	-45
Trading including CDS protection	-3	549	34	7	312	899
Undrawn committed facilities	411	1,229	523	140	2,302	4,605
Pre-settlement exposures ⁽³⁾	70	670	425	14	909	2,088
Total risk exposure	1,226	26,062	4,534	3,713	46,088	81,623

⁽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 'Investments' of these condensed consolidated interim accounts.

⁽²⁾ Real Estate includes Real Estate Development, Real Estate Investments and Property in Own Use; it does not include (indirect) exposure through Real Estate Finance, which is reflected in Total Lending and Total Debt Securities.

⁽³⁾ Pre-settlement exposure is exposure typically existing of dealing room products such as options, swaps, and securities financing transactions. This exposure is based on the replacement value (Marked-To-Market) of each product plus potential future volatility concept.

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. The changes mainly relate to the inclusion of Pre-Settlement exposures, the presentation of Trading and Trading CDS exposure and the definitions for Real Estate and ABS exposure (for 'country at risk' versus 'country of residence' as mentioned above). In total these restatements did not have a material impact on ING's exposure on Greece, Italy, Ireland, Portugal and Spain.

21 UPDATE ON REGULATORY MEASURES AND LAW ENFORCEMENT AGENCIES INVESTIGATIONS

On 12 June 2012 ING Bank announced that it has entered into a Settlement Agreement with U.S. authorities, including the Office of Foreign Assets Control (OFAC) in relation to the investigation by those agencies into compliance with U.S. economic sanctions and U.S. dollar payment practices until 2007 by Commercial Banking.

Under the terms of the Deferred Prosecution Agreements, no further action will be taken against ING Bank if it meets the conditions set forth in the agreements. As part of the settlement, ING Bank paid a total penalty of EUR 473 million (USD 619 million) in June 2012.

Since 2006, prior to receiving inquiries from the U.S. Authorities, ING initiated two extensive internal investigations. Much of the findings, which were voluntarily disclosed to OFAC, focused on conduct relating to transactions associated with ING Bank's Cuban operations, as well as business with counterparties in other OFAC sanctioned countries. The discussions with authorities on these issues did not involve ING's Insurance and Investment Management operations, nor Retail Banking or ING Direct.

ING Bank has cooperated closely and constructively with regulators and other authorities throughout this process. The U.S. Authorities have recognised ING's substantial cooperation in the resolution and ING's efforts and commitment to continuously enhance compliance within the organisation.

Notes to the condensed consolidated interim accounts continued

22 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 in the Netherlands of ING Bank and WestlandUtrecht 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, one for Banking and one for Insurance/IM.

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 Insurance/IM to pay an additional risk premium.
- Responsibility for inflation indexation will move to the new funds.
- 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 305 million. The curtailment is included in the line Staff expenses in the first half of 2012.

Review report

To: the Shareholders, the Supervisory Board and the Executive Board of ING Groep 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 Groep 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 M.A. van Loo

Disclaimer

ING Group'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 Group 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 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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