2009

ING GROUP

# Condensed consolidated interim financial information for the period ended 30 June 2009

# In this report

## ING GROEP N.V.

### Results
Net result, after minority interests, for the six months ended 30 June 2009 decreased by EUR 4,182 million, or 120.9%, to EUR –722 million from EUR 3,460 million for the six months ended 30 June 2008.

ING Group's taxation for the six months ended 30 June 2009 decreased to EUR –196 million from EUR 796 million for the six months ended 30 June 2008. This represents an overall effective tax rate of 19.2% for the six months ended 30 June 2009 from 18.7% for the six months ended 30 June 2008.

The result before tax of ING Group for the six months ended 30 June 2009 decreased by EUR 5,278 million, or 124.0%, to EUR –1,021 million, from EUR 4,257 million for the six months ended 30 June 2008. ING manages its banking and insurance activities on an underlying basis. Underlying result before taxation is defined as result before taxation excluding the impact of divestments and special items. Underlying result before tax decreased by EUR –4,445 million, or –104.9%, from EUR 4,238 million to EUR –207 million. Divestments impacted result before tax by EUR -54 million in the first six months of 2009 and by EUR 182 million in the first six months of 2008 while special items had an impact on result before tax of EUR –760 million and EUR –163 million in the first six months of 2009 and 2008, respectively. For details references made to Note 10 in the Interim Accounts.

### Balance sheet reduction
Total assets decreased by EUR 144 billion, or 10.8%, to EUR 1,188 billion at 30 June 2009, from EUR 1,332 billion at 31 December 2008, primarily the consequence of the reduction of the bank balance sheet total at the end of June 2009 by 15% from the end of September 2008. The decrease is largely attributable to the change in product features for current accounts that allows netting in the balance sheet under IFRS (effect approximately EUR 80 billion, mainly at loans and advances to customers) and the reducing of financial assets at fair value by EUR 42 billion, of which EUR 23 billion trading derivatives and EUR 18 billion in securities borrowing and reverse repos.

### Key capital and leverage ratios
ING Bank's Tier 1 and core Tier 1 capital remained robust in the first half of 2009. Total Tier 1 capital increased by EUR 0.4 billion, mainly due to the year to date net profit in the Bank. ING Bank's Tier 1 ratio increased from 9.3% at year-end 2008 to 9.4% at the end of June 2009. The core Tier 1 ratio remained stable on 7.3%, while the BIS capital ratio declined from 12.8% at the end of December 2008 to 12.5% at the end of June 2009. ING Insurance's debt/equity (D/E) ratio increased from 8.8% to 12.4%. ING Group's core debt remained stable at EUR 7.3 billion, which helped to keep ING Group's debt/equity ratio stable at 13.5%. The impact of the coupon payment of EUR 425 million on the core Tier 1 securities to the Dutch State on 12 May was already fully included in ING Group's shareholders' equity and core debt at 31 December 2008.

### Risk Management
ING is taking de-risking measures to preserve shareholders' equity and limit earnings volatility. Key measures in place to support both are the Illiquid Assets Back-up Facility with the Dutch State on the Alt-A RMBS portfolio and equity hedges on ING's direct and indirect equity exposure.

ING's exposure to Asset Backed Securities (ABS) declined to EUR 65 billion at 30 June 2009 from EUR 85 billion at the end of December 2008. ABS in the available for sale (AFS) investment portfolio declined from EUR 71 billion at the end of December 2008 to EUR 29 billion at the end of June. Pre-tax impairments on ABS were EUR 666 million in the first six months 2009, of which EUR 501 million in the Alt-A RMBS portfolio.

ING's Alt-A RMBS portfolio declined from EUR 18.8 billion at the end of December 2008 to EUR 3.1 billion at the end of June 2009, largely due to the Illiquid Assets Back-up Facility which was agreed during the first quarter with the Dutch State. EUR 409 million of the EUR 501 million impairment on Alt-A RMBS was on newly impaired RMBS. These new impairments were triggered by an estimated credit loss of EUR 77 million. Reimpairments on previously impaired bonds were limited to EUR 92 million as market prices for Alt-A RMBS were relatively stable in the first six months of 2009.

ING's subprime RMBS book amounted to EUR 1.3 billion at the end of June 2009. ING took EUR 125 million pre-tax impairments on subprime RMBS in the first six months.

ING's CDO/CLO portfolio was EUR 4.3 billion at the end of June 2009. The CDOs in ING's portfolio generally reference to investment-grade corporate credit. Insurance Americas recorded a EUR 49 million positive fair value adjustment through the P&L on (synthetic) CDOs. This was mainly driven by corporate credit spread tightening in the second quarter.

Two CLO positions within Commercial Banking had credit protection via credit default swaps with a monoline insurer. The CLO positions have a nominal value of EUR 560 million. Negative movements in their fair value were fully offset by positive movements on the credit default swaps up until the end of the first quarter of 2009. In the second quarter, the credit rating of the monoliner was downgraded significantly. As a result, the two CLO positions were no longer credit protected, causing a EUR 58 million write down on the credit default swaps through the P&L.

The commercial mortgage backed securities (CMBS) portfolio had a market value of EUR 7.7 billion. There are no impairments on ING's CMBS portfolio to date.

ING incurred EUR 102 million pre-tax impairments on its corporate bonds in the first half-year of 2009, mainly in US Insurance.

Other market impact had a negative impact on the first half result 2009 of EUR 47 million and comprises the separate account shortfall in the Dutch insurance business, VA hedging volatility in Japan and other smaller factors.

ING is exposed to equity risk directly through its AFS equity portfolio and indirectly through equity-related DAC unlocking in the insurance business. The favourable stock market performance led to EUR 439 million negative equity-related DAC unlocking in the US insurance business in the first six months of 2009. Hedges to protect Insurance US regulatory capital positions had an impact of EUR –280 million. ING holds put options on the Eurostoxx 50 to hedge ING Insurance's listed equity portfolio. The nominal hedged amount was EUR 3.9 billion at the end of June 2009. The impact of these hedges on P&L was a loss of EUR 38 million. Despite rising equity markets, impairments on equity securities were EUR 258 million in the first six months of 2009 due to the fact that for several securities the market value remained below the purchase value for more than six months, triggering the impairment.

ING's direct real estate exposure at 30 June 2009 was EUR 14.9 billion, of which EUR 8.8 billion is subject to revaluation through the P&L. In the first six months of 2009 ING took a EUR 945 million pre-tax negative revaluation through the P&L on this portfolio, of which approximately EUR 140 million attributable to minorities.

Provisions for loan losses continued to increase in the first six months as economic conditions deteriorated. Total net additions to loan loss provisions were EUR 1,625 million, against EUR 331 million in the first six months 2008. ING's coverage ratio of loan loss provisions over provisioned loans was 33% at 30 June 2009 as the proportion of collateralised lending in ING's loan book is relatively high.

Risk-weighted assets (RWA) increased by EUR 1.7 billion to EUR 345.1 billion in the first six months of 2009. Credit rating migration generated EUR 22 billion of RWA in the first six months, mainly in the loan book and due to downgrades of securities. The adverse impact of credit rating migration was partially offset by balance sheet reduction, a lower average Value-at-Risk in the trading book, the Illiquid Assets Back-up Facility and FX impacts.

**Dividends**

ING has decided not to pay an interim dividend on ordinary shares over 2009. This decision was taken in view of the results of ING operations, its current capital ratios, and the financial services industry's ongoing discussion about required capital and leverage ratios.

**Looking ahead**

We have made strides to reduce risk, stabilise the capital base and simplify our organisation in the first half. The merger of ING's Dutch retail banking operations is well on track and a programme to integrate ING's Dutch insurance operations has been announced with positive earnings contribution in 2010. In line with our Back to Basics strategy, we have also agreed to sell several non-core or sub-scale businesses in our efforts to streamline the Group and sharpen our strategic focus. We are currently reviewing additional strategic options to facilitate our continued transformation and realise our ambition to repay the Dutch State. The process will also support ING's efforts to meet the restructuring requirements set out by the European Commission for financial institutions that received state aid in the context of the financial crisis. In the meantime, we continue to focus on providing first-rate service to our customers and providing them with simpler and more transparent products.

# 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 that are prudent and reasonable. 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 or her knowledge:

- the ING Groep N.V. Interim Accounts for the period ended 30 June 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Groep N.V. and the enterprises included in the consolidation taken as a whole;
- the ING Groep N.V. Interim Report for the period ended 30 June 2009 gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the first half year of 2009 of ING Groep N.V. and the enterprises included in the consolidation taken as a whole, as well as of the other information required pursuant to article 5:25d, subsections 8 and 9 of the Dutch Financial Supervision Act *(Wet op het financieel toezicht)*.

**AMSTERDAM, 12 AUGUST 2009**

**Jan Hommen**
Chairman of the Executive Board

**Patrick Flynn**
CFO, member of the Executive Board

**Koos Timmermans**
CRO, member of the Executive Board

# Condensed consolidated balance sheet* of ING Group

## as at

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| **ASSETS** | | |
| Cash and balances with central banks | **20,794** | 22,045 |
| Amounts due from banks | **51,355** | 48,447 |
| Financial assets at fair value through profit and loss 2 | **238,852** | 280,505 |
| Investments 3 | **207,517** | 258,292 |
| Loans and advances to customers 4 | **589,439** | 619,791 |
| Reinsurance contracts | **5,656** | 5,797 |
| Investments in associates | **3,946** | 4,355 |
| Real estate investments | **4,141** | 4,300 |
| Property and equipment | **6,368** | 6,396 |
| Intangible assets 5 | **6,594** | 6,915 |
| Deferred acquisition costs | **11,393** | 11,843 |
| Other assets | **41,866** | 62,977 |
| Total assets | **1,187,921** | 1,331,663 |
| | | |
| **EQUITY** | | |
| Shareholders' equity (parent) | **22,276** | 17,334 |
| Non-voting equity securities | **10,000** | 10,000 |
| | **32,276** | 27,334 |
| Minority interests | **1,075** | 1,594 |
| Total equity | **33,351** | 28,928 |
| | | |
| **LIABILITIES** | | |
| Subordinated loans | **10,238** | 10,281 |
| Debt securities in issue | **122,891** | 96,488 |
| Other borrowed funds | **26,362** | 31,198 |
| Insurance and investment contracts | **238,015** | 240,790 |
| Amounts due to banks | **104,135** | 152,265 |
| Customer deposits and other funds on deposit | **461,796** | 522,783 |
| Financial liabilities at fair value through profit and loss 6 | **149,304** | 188,398 |
| Other liabilities | **41,829** | 60,532 |
| Total liabilities | **1,154,570** | 1,302,735 |
| | | |
| Total equity and liabilities | **1,187,921** | 1,331,663 |

*Unaudited

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 1 April to 30 June 2009 | 2008 | 6 month period 1 January to 30 June 2009 | 2008 |
|---|---|---|---|---|
| Interest income banking operations | **20,381** | 22,591 | **44,462** | 46,472 |
| Interest expense banking operations | **-17,238** | -19,929 | **-38,282** | -41,271 |
| Interest result banking operations | **3,143** | 2,662 | **6,180** | 5,201 |
| Gross premium income | **7,269** | 11,155 | **16,183** | 23,729 |
| Investment income 7 | **1,331** | 2,202 | **2,460** | 4,813 |
| Commission income | **1,160** | 1,243 | **2,243** | 2,480 |
| Other income 8 | **-2,636** | 168 | **-1,937** | 1,205 |
| Total income | **10,267** | 17,430 | **25,129** | 37,428 |
| | | | | |
| Underwriting expenditure | **5,808** | 10,964 | **16,664** | 24,644 |
| Addition to loan loss provision | **853** | 234 | **1,625** | 331 |
| Intangible amortisation and other impairments | **84** | 23 | **135** | 60 |
| Staff expenses | **1,809** | 2,179 | **3,884** | 4,368 |
| Other interest expenses | **177** | 218 | **370** | 483 |
| Other operating expenses | **1,683** | 1,602 | **3,472** | 3,285 |
| Total expenses | **10,414** | 15,220 | **26,150** | 33,171 |
| | | | | |
| Result before tax | **-147** | 2,210 | **-1,021** | 4,257 |
| | | | | |
| Taxation | **-135** | 313 | **-196** | 796 |
| Net result (before minority interests) | **-12** | 1,897 | **-825** | 3,461 |
| | | | | |
| Attributable to: | | | | |
| Equityholders of the parent | **71** | 1,920 | **-722** | 3,460 |
| Minority interests | **-83** | -23 | **-103** | 1 |
| | **-12** | 1,897 | **-825** | 3,461 |

| amounts in euros | 3 month period 1 April to 30 June 2009 | 2008 | 6 month period 1 January to 30 June 2009 | 2008 |
|---|---|---|---|---|
| Basic earnings per ordinary share 9 | **0.03** | 0.94 | **-0.36** | 1.68 |
| Earnings – after potential attribution to non – voting equity 9 | **-0.38** | - | **-0.36** | - |
| Diluted earnings per ordinary share 9 | **0.03** | 0.94 | **-0.36** | 1.68 |

*Unaudited

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

| amounts in millions of euros | 3 month period 1 April to 30 June 2009 | 2008 | 6 month period 1 January to 30 June 2009 | 2008 |
|---|---|---|---|---|
| Result for the period | **-12** | 1,897 | **-825** | 3,461 |
| | | | | |
| Unrealised revaluations after taxation | **4,687** | -3,461 | **6,002** | -8,182 |
| Realised gains/losses transferred to profit and loss | **92** | -306 | **725** | -448 |
| Changes in cash flow hedge reserve | **-631** | 30 | **-1,146** | -49 |
| Transfer to insurance liabilities/DAC | **-869** | 758 | **-276** | 1,048 |
| Exchange rate differences | **-566** | 55 | **240** | -1,703 |
| Total amount recognised directly in equity | **2,713** | -2,924 | **5,545** | -9,334 |
| | | | | |
| Total comprehensive income | **2,701** | -1,027 | **4,720** | -5,873 |
| | | | | |
| Comprehensive income attributable to: | | | | |
| Equity holders of the parent | **2,763** | -1,070 | **4,808** | -5,771 |
| Minority interests | **-62** | 43 | **-88** | -102 |
| | **2,701** | -1,027 | **4,720** | -5,873 |

For the three month period of 1 April 2009 to 30 June 2009 the Unrealised revaluations after taxation comprises EUR 31 million (1 April 2008 to 30 June 2008: EUR 55 million) related to the share of other comprehensive income of associates.

For the six month period of 1 January 2009 to 30 June 2009 the Unrealised revaluations after taxation comprises EUR 5 million (1 January 2008 to 30 June 2008: EUR 225 million) related to the share of other comprehensive income of associates.

For the three month period of 1 April 2009 to 30 June 2009 the Exchange rate differences comprises EUR 70 million (1 April 2008 to 30 June 2008: EUR 65 million) related to the share of other comprehensive income of associates.

For the six month period of 1 January 2009 to 30 June 2009 the Exchange rate differences comprises EUR 107 million (1 January 2008 to 30 June 2008: EUR 31 million) related to the share of other comprehensive income of associates.

*Unaudited

# Condensed consolidated statement of cash flows* of ING Group for the six month period ended

| amounts in millions of euros | | 6 month period 30 June 2009 | 6 month period 30 June 2008 |
|---|---|---|---|
| Result before tax | | **-1,021** | 4,257 |
| Adjusted for | – depreciation | **811** | 722 |
| | – deferred acquisition costs and value of business acquired | **-339** | -668 |
| | – increase in provisions for insurance and investment contracts | **1,715** | 6,614 |
| | – addition to loan loss provisions | **1,625** | 331 |
| | – other | **1,149** | 1,894 |
| Taxation paid | | **-31** | -328 |
| Changes in | – amounts due from banks, not available on demand | **4,105** | -22,006 |
| | – trading assets | **44,757** | -18,751 |
| | – non-trading derivatives | **35** | -4,197 |
| | – other financial assets at fair value through profit and loss | **261** | 1,713 |
| | – loans and advances to customers | **2,050** | -46,290 |
| | – other assets | **4,574** | 3,810 |
| | – amounts due to banks, not payable on demand | **-51,172** | 5,664 |
| | – customer deposits and other funds on deposit | **10,698** | 16,024 |
| | – trading liabilities | **-35,083** | 44,688 |
| | – other financial liabilities at fair value through profit and loss | **-3,638** | 2,303 |
| | – other liabilities | **-5,833** | -6,814 |
| Net cash flow from (used in) operating activities | | **-25,337** | -11,034 |
| | | | |
| Investments and advances | – available-for-sale investments | **-91,310** | -129,777 |
| | – investments for risk of policyholders | **-31,217** | -47,631 |
| | – other investments | **-1,264** | -3,058 |
| Disposals and redemptions | – available-for-sale investments | **94,706** | 129,497 |
| | – investments for risk of policyholders | **30,294** | 43,892 |
| | – other investments | **3,113** | 2,298 |
| Net cash flow from (used in) investing activities | | **4,322** | -4,779 |
| | | | |
| Proceeds from borrowed funds and debt securities | | **234,324** | 195,292 |
| Repayments of borrowed funds and debt securities | | **-215,021** | -166,329 |
| Other net cash flow from financing activities | | **-408** | -791 |
| Net cash flow from financing activities | | **18,895** | 28,172 |
| | | | |
| Net cash flow | | **-2,120** | 12,359 |
| | | | |
| Cash and cash equivalents at beginning of period | | **31,271** | -16,811 |
| Effect of exchange rate changes on cash and cash equivalents | | **-36** | 99 |
| Cash and cash equivalents at end of period | | **29,115** | -4,353 |
| | | | |
| Cash and cash equivalents comprises the following items: | | | |
| Treasury bills and other eligible bills | | **6,997** | 6,088 |
| Amounts due from/to banks | | **1,324** | -23,603 |
| Cash and balances with central banks | | **20,794** | 13,162 |
| Cash and cash equivalents at end of period | | **29,115** | -4,353 |

*Unaudited

# 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 shareholders' equity (parent) | Non-voting equity securities | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | **6 months ending 30 June 2009** |
| Balance at beginning of period | **495** | **9,182** | **7,657** | **17,334** | **10,000** | **1,594** | **28,928** |
| | | | | | | | |
| Unrealised revaluations after taxation | **-** | **-** | **6,002** | **6,002** | **-** | **-** | **6,002** |
| Realised gains/losses transferred to profit and loss | **-** | **-** | **725** | **725** | **-** | **-** | **725** |
| Changes in cash flow hedge reserve | **-** | **-** | **-1,146** | **-1,146** | **-** | **-** | **-1,146** |
| Transfer to insurance liabilities/DAC | **-** | **-** | **-276** | **-276** | **-** | **-** | **-276** |
| Exchange rate differences | **-** | **-** | **225** | **225** | **-** | **15** | **240** |
| Total amount recognised directly in equity | **-** | **-** | **5,530** | **5,530** | **-** | **15** | **5,545** |
| | | | | | | | |
| Net result for the period | **-** | **-** | **-722** | **-722** | **-** | **-103** | **-825** |
| | **-** | **-** | **4,808** | **4,808** | **-** | **-88** | **4,720** |
| | | | | | | | |
| Changes in the composition of the group | **-** | **-** | **-** | **-** | **-** | **-430** | **-430** |
| Dividends | **-** | **-** | **-** | **-** | **-** | **-1** | **-1** |
| Purchase/sale of treasury shares | **-** | **-** | **111** | **111** | **-** | **-** | **111** |
| Employee stock option and share plans | **-** | **-** | **23** | **23** | **-** | **-** | **23** |
| Balance at end of period | **495** | **9,182** | **12,599** | **22,276** | **10,000** | **1,075** | **33,351** |

Unrealised revaluations after taxation are positively affected by EUR 4,600 million as a result of the Illiquid Asset Back-up Facility which effectively transferred 80% of ING's Alt-A RMBS portfolio to the Dutch State.

| amounts in millions of euros | Share capital | Share premium | Reserves | Total shareholders' equity (parent) | Non-voting equity securities | Minority interests | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | 6 months ending 30 June 2008 |
| Balance at beginning of period | 534 | 8,739 | 27,935 | 37,208 | - | 2,323 | 39,531 |
| | | | | | | | |
| Unrealised revaluations after taxation | - | - | -8,155 | -8,155 | - | -27 | -8,182 |
| Realised gains/losses transferred to profit and loss | - | - | -448 | -448 | - | - | -448 |
| Changes in cash flow hedge reserve | - | - | -49 | -49 | - | - | -49 |
| Transfer to insurance liabilities/DAC | - | - | 1,046 | 1,046 | - | 2 | 1,048 |
| Exchange rate differences | - | - | -1,625 | -1,625 | - | -78 | -1,703 |
| Other revaluations | - | - | - | - | - | - | - |
| Total amount recognised directly in equity | - | - | -9,231 | -9,231 | - | -103 | -9,334 |
| | | | | | | | |
| Net result for the period | - | - | 3,460 | 3,460 | - | 1 | 3,461 |
| | - | - | -5,771 | -5,771 | - | -102 | -5,873 |
| | | | | | | | |
| Changes in the composition of the group | - | - | - | - | - | -281 | -281 |
| Dividends | - | - | -1,716 | -1,716 | - | -35 | -1,751 |
| Cancellation of shares (share buy back) | -40 | - | -4,415 | -4,455 | - | - | -4,455 |
| Purchase/sale of treasury shares | - | - | 2,294 | 2,294 | - | - | 2,294 |
| Exercise of warrants and options | 5 | 443 | - | 448 | - | - | 448 |
| Employee stock option and share plans | - | - | 52 | 52 | - | - | 52 |
| Balance at end of period | 499 | 9,182 | 18,379 | 28,060 | - | 1,905 | 29,965 |

*Unaudited

# 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 and are consistent with those set out in the notes to the 2008 Consolidated Annual Accounts of ING Group, except for the amendments referred to below.

These condensed consolidated interim accounts should be read in conjunction with ING Group’s 2008 Annual Accounts.

The following standards, interpretations and amendments to standards and interpretations become effective in 2009 if and when endorsed by the EU:

- Amendment to IFRS 2 ‘Share-based Payments’ – ‘Vesting Conditions and Cancellations’
- IFRS 8 ‘Operating Segments’
- IAS 1 ‘Presentation of Financial Statements’
- IAS 23 ‘Borrowing Costs’
- Amendments to IAS 32 ‘Financial Instruments: Presentation’ and IAS 1 ‘Presentation of Financial Statements’ – ‘Puttable Financial Instruments and Obligations Arising on Liquidation’
- Amendments to IFRS 1 ‘First-time Adoption of IFRS’ and IAS 27 ‘Consolidated and Separate Financial Statements’ – Determining the cost of an Investment in the Separate Financial Statements’
- IFRIC 13 ‘Customer Loyalty Programmes’
- IFRIC 15 ‘Agreements for the Construction of Real Estate’
- IFRIC 16 ‘Hedges of a Net Investment in a Foreign Operation’
- 2008 Annual Improvements to IFRS
- Amendment to IFRS 7 ‘Improving Disclosures about Financial Instruments’
- Amendment to IFRIC 9 and IAS 39 – ‘Embedded Derivatives’

The following new and revised standards and interpretations were issued by the IASB, which become effective for ING Group as of 2010 if and when endorsed by the EU:

- Amendment to IFRS 1 ‘First-time adoption of IFRS’
- IFRS 3 ‘Business Combinations’ (revised) and IAS 27 ‘Consolidated and Separate Financial Statements’ (amended)
- Amendment to IAS 39 ‘Financial Instruments: Recognition and Measurement’ – ‘Eligible Hedged Items’
- IFRIC 17 ‘Distributions of Non-cash Assets to Owners’
- IFRIC 18 'Transfers of Assets from Customers'
- Improvements to IFRSs (several small amendments to different Standards and Interpretations)
- Amendment to IFRS 2 ‘Group Cash-settled Share-based Payment Transactions’

ING Group does not expect the adoption of these new or revised standards and interpretations to have a significant effect on the consolidated financial statements.

On 14 July 2009 the IASB issued the Exposure draft (ED) “Financial instruments: Classification and measurement”. The objective of this Exposure Draft is to replace the current IAS 39 ‘Financial Instruments: Recognition and Measurement’. It focusses on classification and measurement only. Impairments of financial instruments, hedge accounting and derecognition are not addressed. ING is currently assessing the contents of this Exposure Draft. Mandatory implementation is not expected before 2012.

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 2008 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.

In 2009, the methodology for determining the liability for insurance contracts in Japan was revised. The liability for certain guarantees is now based on the fair value. The impact of this change in accounting policy was not material to shareholders’ equity and Net result of ING Group.

*Unaudited

## 2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| Trading assets | **119,068** | 160,378 |
| Investment for risk of policyholders | **99,900** | 95,366 |
| Non-trading derivatives | **12,453** | 16,484 |
| Designated as at fair value through profit and loss | **7,431** | 8,277 |
| | **238,852** | 280,505 |

## 3. INVESTMENTS

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| **Available-for-sale** | | |
| – equity securities | **8,155** | 8,822 |
| – debt securities | **184,500** | 234,030 |
| | **192,655** | 242,852 |
| | | |
| **Held-to-maturity** | | |
| – debt securities | **14,862** | 15,440 |
| | **14,862** | 15,440 |
| | | |
| | **207,517** | 258,292 |

During the second quarter of 2009 the Group reclassified EUR 0.8 billion of available-for-sale financial assets to held to maturity. The reclassification resulted from reduction in market liquidity for these assets, the Group now has the intent and ability to hold these assets until maturity.

Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS as of the third quarter of 2008. During the first and second quarter of 2009 ING Group reclassified certain financial assets from Investments 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 an intent to hold for the foreseeable future. At the reclassification dates the fair value of the reclassified assets amounted to EUR 22.8 billion for reclassification made during the first quarter of 2009 and EUR 6.1 billion for reclassification made during the second quarter 2009.

**Reclassifications to Loans and advances to customers in the first quarter**

As of reclassification date 12 January 2009, for assets reclassified during the first quarter 2009, the (weighted average) effective interest rates were in the range from 2.1% to 11.7% and expected recoverable cash flows were EUR 24 billion. Unrealised fair value losses recognised in shareholders' equity amounted to EUR 1.2 billion. This amount will be released from equity and amortised to the profit and loss account over the remaining life of the assets on an effective interest rate basis. From 1 January 2009 until the reclassification date no unrealised fair value losses were recognised in shareholders' equity, no impairment was recognised.

As at 30 June 2009 the carrying value in the balance sheet and the fair value of the in the first quarter reclassified financial assets amounted to EUR 21.7 billion and EUR 20.1 billion respectively.

If the reclassification had not been made, profit before tax would have been unchanged and shareholders' equity as per 30 June 2009 would have been EUR 1.0 billion after tax lower due to unrealised fair value losses.

After the reclassification, the reclassified financial assets contributed EUR 303 million to result before tax for the period ended 30 June 2009, which fully consisted of Interest income. No provision for credit losses was recognised.

In the year ended 31 December 2008 no impairment on reclassified financial assets available-for-sale was recognised. Unrealised fair value losses of EUR 0.3 billion were recognised directly in shareholders' equity.

*Unaudited

**Reclassifications to Loans and advances to customers in the second quarter**

For amounts reclassified during the second quarter of 2009, as of the reclassification date 1 June 2009, the (weighted average) effective interest rates on reclassified assets were in the range from 1.42% to 24.82% and expected recoverable cash flows were EUR 7.1 billion. Unrealised fair value losses recognised in shareholders' equity amounted to EUR 0.9 billion. This amount will be released from equity and amortised to the profit and loss account over the remaining life of the assets on an effective interest rate basis. From 1 January 2009 until the reclassification date EUR 0.2 billion unrealised fair value gains were recognised in shareholders' equity, no impairment was recognised.

As at 30 June 2009 the carrying value in the balance sheet and the fair value of the in the second quarter reclassified financial assets amounted to EUR 6.1 billion.

If the reclassification had not been made, profit before tax would have been unchanged and shareholders' equity would have been EUR 42 million after tax higher due to a decrease in unrealised losses since the date of reclassification.

After the reclassification, the reclassified financial assets contributed EUR 10 million to result before tax for the period ended 30 June 2009, which fully consisted of Interest income. No provision for credit losses was recognised.

In the year ended 31 December 2008 no impairment on reclassified financial assets available-for-sale was recognised. Unrealised fair value losses of EUR 1.1 billion were recognised directly in shareholders' equity.

**Derecognition of available-for-sale debt securities**

See note 13 for the derecognition of certain available-for-sale debt securities as a result of the transaction with the Dutch Government.

## 4. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers relate to banking and insurance operations as follows:

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| Banking operations | **564,967** | 601,638 |
| Insurance operations | **30,971** | 25,681 |
| | **595,938** | 627,319 |
| Eliminations | **–6,499** | –7,528 |
| | **589,439** | 619,791 |

Loans and advances to customers are specified by type as follows (banking operations):

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| Loans to, or guaranteed by, public authorities | **50,824** | 26,387 |
| Loans secured by mortgages | **304,750** | 303,951 |
| Loans guaranteed by credit institutions | **2,267** | 548 |
| Personal lending | **24,530** | 27,547 |
| Corporate loans | **186,317** | 245,731 |
| | **568,688** | 604,164 |
| | | |
| Loan loss provisions | **–3,721** | –2,526 |
| | **564,967** | 601,638 |

*Unaudited

Changes in loan loss provisions were as follows:

| amounts in millions of euros | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 6 month period ended 30 June 2009 | year ended 31 December 2008 | 6 month period ended 30 June 2009 | year ended 31 December 2008 | 6 month period ended 30 June 2009 | year ended 31 December 2008 |
| Opening balance | **2,611** | 2,001 | **59** | 30 | **2,670** | 2,031 |
| Changes in the composition of the group | **-** | 2 | **-1** | –4 | **-1** | –2 |
| Write-offs | **-421** | –728 | **-3** | –6 | **-424** | –734 |
| Recoveries | **69** | 91 | **1** | 2 | **70** | 93 |
| Increase in loan loss provisions | **1,625** | 1,280 | **25** | 38 | **1,650** | 1,318 |
| Exchange rate differences | **-36** | –50 | **1** | –1 | **-35** | –51 |
| Other changes | **-25** | 15 | **-** | - | **-25** | 15 |
| Closing balance | **3,823** | 2,611 | **82** | 59 | **3,905** | 2,670 |

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 on the face of the profit and loss account.

The loan loss provision relating to banking operations at 30 June 2009 of EUR 3,823 million (31 December 2008: EUR 2,611 million) is presented in the balance sheet under Loans and advances to customers and Amounts due from banks for respectively EUR 3,721 million (31 December 2008: EUR 2,526 million) and EUR 102 million (31 December 2008: EUR 85 million).

## 5. INTANGIBLE ASSETS

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| Value of business acquired | **1,866** | 2,084 |
| Goodwill | **3,031** | 3,070 |
| Software | **878** | 881 |
| Other | **819** | 880 |
| | **6,594** | 6,915 |

## 6. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

| amounts in millions of euros | 30 June 2009 | 31 December 2008 |
|---|---|---|
| Trading liabilities | **117,528** | 152,616 |
| Non-trading derivatives | **19,885** | 21,773 |
| Designated as at fair value through profit and loss | **11,891** | 14,009 |
| | **149,304** | 188,398 |

*Unaudited

### 7. INVESTMENT INCOME

| 3 month period | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 1 April to 30 June | | 1 April to 30 June | | 1 April to 30 June | |
| amounts in millions of euros | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Income from real estate investments | **42** | 51 | **15** | 21 | **57** | 72 |
| Dividend income | **15** | 9 | **86** | 295 | **101** | 304 |
| Income from investments in debt securities | **-** | - | **1,424** | 1,393 | **1,424** | 1,393 |
| Income from loans | **-** | - | **305** | 409 | **305** | 409 |
| Realised gains/losses on disposal of debt securities | **22** | -10 | **163** | -81 | **185** | -91 |
| Reversals/Impairments of available-for-sale debt securities | **-376** | -6 | **-58** | -60 | **-434** | -66 |
| Realised gains/losses on disposal of equity securities | **1** | 54 | **72** | 675 | **73** | 729 |
| Impairments of available-for-sale equity securities | **-7** | -97 | **-60** | -252 | **-67** | -349 |
| Change in fair value of real estate investments | **-290** | -188 | **-23** | -11 | **-313** | -199 |
| | **-593** | -187 | **1,924** | 2,389 | **1,331** | 2,202 |

| 6 month period | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 1 January to 30 June | | 1 January to 30 June | | 1 January to 30 June | |
| amounts in millions of euros | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Income from real estate investments | **83** | 103 | **30** | 34 | **113** | 137 |
| Dividend income | **15** | 53 | **108** | 455 | **123** | 508 |
| Income from investments in debt securities | **-** | - | **2,905** | 3,165 | **2,905** | 3,165 |
| Income from loans | **-** | - | **680** | 861 | **680** | 861 |
| Realised gains/losses on disposal of debt securities | **199** | 16 | **-149** | 26 | **50** | 42 |
| Reversals/Impairments of available-for-sale debt securities | **-555** | -31 | **-255** | -112 | **-810** | -143 |
| Realised gains/losses on disposal of equity securities | **4** | 83 | **106** | 775 | **110** | 858 |
| Impairments of available-for-sale equity securities | **-28** | -105 | **-246** | -288 | **-274** | -393 |
| Change in fair value of real estate investments | **-370** | -221 | **-67** | -1 | **-437** | -222 |
| | **-652** | -102 | **3,112** | 4,915 | **2,460** | 4,813 |

*Unaudited

## 8. OTHER INCOME

| 3 month period | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 1 April to 30 June | | 1 April to 30 June | | 1 April to 30 June | |
| amounts in millions of euros | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Net gains/losses on disposal of group companies | **-9** | 2 | **-5** | 2 | **-14** | 4 |
| Valuation results on non-trading derivatives | **-483** | 179 | **-2,631** | -394 | **-3,114** | -215 |
| Net trading income | **404** | 249 | **205** | -30 | **609** | 219 |
| Result from associates | **-185** | -8 | **-10** | 29 | **-195** | 21 |
| Other income | **-1** | 110 | **79** | 29 | **78** | 139 |
| | **-274** | 532 | **-2,362** | -364 | **-2,636** | 168 |

Result from associates includes:

| 3 month period | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 1 April to 30 June | | 1 April to 30 June | | 1 April to 30 June | |
| amounts in millions of euros | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Share of results from associates | **-184** | -4 | **-10** | 29 | **-194** | 25 |
| Impairments | **-1** | -4 | **-** | - | **-1** | -4 |
| | **-185** | -8 | **-10** | 29 | **-195** | 21 |

| 6 month period | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 1 January to 30 June | | 1 January to 30 June | | 1 January to 30 June | |
| amounts in millions of euros | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Net gains/losses on disposal of group companies | **-9** | 6 | **-47** | 48 | **-56** | 54 |
| Valuation results on non-trading derivatives | **-484** | 270 | **-2,093** | 132 | **-2,577** | 402 |
| Net trading income | **665** | 477 | **156** | -239 | **821** | 238 |
| Result from associates | **-280** | -23 | **-111** | 65 | **-391** | 42 |
| Other income | **148** | 359 | **117** | 110 | **265** | 469 |
| | **40** | 1,089 | **-1,978** | 116 | **-1,938** | 1,205 |

Result from associates includes:

| 6 month period | Banking | | Insurance | | Total | |
|---|---|---|---|---|---|---|
| | 1 January to 30 June | | 1 January to 30 June | | 1 January to 30 June | |
| amounts in millions of euros | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Share of results from associates | **-279** | -2 | **-111** | 65 | **-390** | 63 |
| Impairments | **-1** | -21 | **-** | - | **-1** | -21 |
| | **-280** | -23 | **-111** | 65 | **-391** | 42 |

*Unaudited

## 9. EARNINGS PER ORDINARY SHARE

| 3 month period | Amount (in millions of euros) 2009 | 2008 | Weighted average number of ordinary shares outstanding during the period (in millions) 2009 | 2008 | Per ordinary share (in euros) 2009 | 2008 |
|---|---|---|---|---|---|---|
| Basic earnings | **71** | 1,920 | **2,022.6** | 2,036.9 | **0.03** | 0.94 |
| Earnings-after potential attribution to non-voting equity securities | **-779** | - | **2,022.6** | - | **-0.38** | - |
| | | | | | | |
| Effect of dilutive securities: | | | | | | |
| Stock option and share plans | **-** | - | **1.9** | -2.2 | **-** | - |
| | | | **1.9** | -2.2 | | |
| | | | | | | |
| Diluted earnings | **-779** | 1,920 | **2,024.5** | 2,034.7 | **0.03** | 0.94 |

1 As a net profit is reported in the second quarter the Earnings – after potential attribution to non-voting equity securities includes the potential dividend payment on the non-voting equity securities amounting to EUR 850 million. This amount is only included for the purpose of the calculation of the earnings per share and does not represent a payment (neither actual nor proposed) to the holders of the non-voting equity securities.

| 6 month period | Amount (in millions of euros) 2009 | 2008 | Weighted average number of ordinary shares outstanding during the period (in millions) 2009 | 2008 | Per ordinary share (in euros) 2009 | 2008 |
|---|---|---|---|---|---|---|
| Basic earnings | **-722** | 3,460 | **2,024.4** | 2,058.3 | **-0.36** | 1.68 |
| Earnings-after potential attribution to non-voting equity securities | **-722** | - | **2,024.4** | - | **-0.36** | - |
| | | | | | | |
| Effect of dilutive securities: | | | | | | |
| Stock option and share plans | **-** | - | **1.9** | 5.3 | **-** | - |
| | | | **1.9** | 5.3 | | |
| | | | | | | |
| Diluted earnings | **-722** | 3,460 | **2,026.3** | 2,063.6 | **-0.36** | 1.68 |

Diluted earnings per share data are calculated as if the stock options outstanding at the end of the second quarter had been exercised at the beginning of the period. It is also assumed that ING Group uses the cash received from stock options exercised or non-voting equity securities converted to buy its own shares against the average market price in the reporting period. The net increase in the number of shares resulting from exercising stock options or converting non-voting equity securities is added to the average number of shares used for the calculation of net earnings per share.

The potential conversion of the non-voting equity securities is not taken into account in the calculation of diluted earnings per share as this would have an anti-dilutive effect i.e. diluted earnings per share would become less negative than the earnings after potential attribution to non-voting equity securities.

**10. SEGMENT REPORTING**

ING Group's operating segments relate to the internal segmentation by business lines. These include the business lines: Retail Banking, ING Direct, Commercial Banking, Insurance Europe, Insurance Americas and Insurance Asia/Pacific. Other mainly includes items not directly attributable to the business lines.

The Corporate Line Banking and the Corporate Line Insurance are both included in Other. These are not separate reportable segments as they do not qualify as an operating segment that engages in business activities from which it may earn revenue and incur expenses.

Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING applies a system of capital charging that makes the results of the banking business units globally comparable, irrespective of the book equity they have and the currency they operate in.

The Corporate Line Insurance includes items such as those related to capital management and capital gains on public equities (net of impairments).

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

ING Group evaluates the results of its operating segments using a financial performance measure called underlying result. Underlying result is defined as result under IFRS excluding the impact of divestments and special items.

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

| Segment | Main source of income |
|---|---|
| Retail Banking | Income from retail and private banking activities. The main products offered are savings accounts and mortgages. |
| ING Direct | Income from direct retail banking activities. The main products offered are savings accounts and mortgages. |
| Commercial Banking | Income from wholesale banking activities. A full range of products is offered from cash management to corporate finance. Commercial Banking also includes ING Real Estate. |
| Insurance Europe | Premium and investment income from life insurance, non-life insurance, investment management, asset management and retirement services in Europe. |
| Insurance Americas | Premium and investment income from life insurance, investment management, asset management and retirement services in the US and Latin America. |
| Insurance Asia/Pacific | Premium and investment income from life insurance, investment management, asset management and retirement services in Asia/Pacific. |

*Unaudited

| 3 month period<br>1 April to 30 June 2009<br>amounts in millions of euros | Retail Banking | ING Direct | Commercial Banking | Insurance Europe | Insurance Americas | Insurance Asia/ Pacific | Other | Total segments | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Underlying income:** | | | | | | | | | | |
| – Gross premium income | **-** | **-** | **-** | **2,166** | **3,412** | **1,684** | **6** | **7,268** | **-** | **7,268** |
| – Net interest result - banking operations | **1,412** | **813** | **1,020** | **-** | **-** | **-** | **-63** | **3,182** | **39** | **3,143** |
| – Commission income | **332** | **44** | **289** | **122** | **300** | **74** | **-** | **1,161** | **-** | **1,161** |
| – Total investment and other income | **71** | **-431** | **-318** | **204** | **-191** | **-38** | **-583** | **-1,286** | **43** | **-1,329** |
| Total underlying income | **1,815** | **426** | **991** | **2,492** | **3,521** | **1,720** | **-640** | **10,325** | **82** | **10,243** |
| | | | | | | | | | | |
| **Underlying expenditure:** | | | | | | | | | | |
| – Underwriting expenditure | **-** | **-** | **-** | **1,918** | **2,786** | **1,104** | **8** | **5,816** | **-** | **5,816** |
| – Operating expenses | **1,184** | **431** | **661** | **359** | **424** | **186** | **59** | **3,304** | **-** | **3,304** |
| – Other interest expenses | **-** | **-** | **-** | **81** | **55** | **229** | **-106** | **259** | **82** | **177** |
| – Additions to loan loss provision | **205** | **170** | **478** | **-** | **-** | **-** | **-** | **853** | **-** | **853** |
| – Other impairments | **-** | **-** | **-** | **-** | **-** | **-** | **18** | **18** | **-** | **18** |
| Total underlying expenses | **1,389** | **601** | **1,139** | **2,358** | **3,265** | **1,519** | **-21** | **10,250** | **82** | **10,168** |
| Underlying result before taxation | **426** | **-175** | **-148** | **134** | **256** | **201** | **-619** | **75** | **-** | **75** |
| Taxation | **103** | **-89** | **-28** | **8** | **67** | **46** | **-178** | **-71** | **-** | **-71** |
| Minority interests | **6** | **-** | **-92** | **4** | **2** | **1** | **-4** | **-83** | **-** | **-83** |
| Underlying net result | **317** | **-86** | **-28** | **122** | **187** | **154** | **-437** | **229** | **-** | **229** |

| 3 month period<br>1 April to 30 June 2008<br>amounts in millions of euros | Retail Banking | ING Direct | Commercial Banking | Insurance Europe | Insurance Americas | Insurance Asia/ Pacific | Other | Total segments | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Underlying income: | | | | | | | | | | |
| – Gross premium income | - | - | - | 2,366 | 4,762 | 2,227 | 5 | 9,360 | - | 9,360 |
| – Net interest result - banking operations | 1,368 | 608 | 746 | - | - | - | -56 | 2,666 | 4 | 2,662 |
| – Commission income | 407 | 10 | 335 | 127 | 272 | 86 | 2 | 1,239 | - | 1,239 |
| – Total investment and other income | 163 | 32 | 97 | 1,039 | 661 | -112 | 339 | 2,219 | 57 | 2,162 |
| Total underlying income | 1,938 | 650 | 1,178 | 3,532 | 5,695 | 2,201 | 290 | 15,484 | 61 | 15,423 |
| | | | | | | | | | | |
| Underlying expenditure: | | | | | | | | | | |
| – Underwriting expenditure | - | - | - | 2,581 | 5,009 | 1,725 | -3 | 9,312 | - | 9,312 |
| – Operating expenses | 1,314 | 421 | 696 | 451 | 404 | 208 | 4 | 3,498 | - | 3,498 |
| – Other interest expenses | - | - | - | 100 | 22 | 144 | 13 | 279 | 61 | 218 |
| – Additions to loan loss provision | 66 | 50 | 117 | - | - | - | 1 | 234 | - | 234 |
| – Other impairments | - | - | - | 3 | - | - | 14 | 17 | - | 17 |
| Total underlying expenses | 1,380 | 471 | 813 | 3,135 | 5,435 | 2,077 | 29 | 13,340 | 61 | 13,279 |
| Underlying result before taxation | 558 | 179 | 365 | 397 | 260 | 124 | 261 | 2,144 | - | 2,144 |
| Taxation | 114 | 65 | 106 | 31 | 45 | 33 | -92 | 302 | - | 302 |
| Minority interests | 13 | 2 | -60 | -4 | 2 | 6 | -3 | -44 | - | -44 |
| Underlying net result | 431 | 112 | 319 | 370 | 213 | 85 | 356 | 1,886 | - | 1,886 |

* Unaudited

# Notes to the condensed consolidated interim accounts*

3 month period

| amounts in millions of euros | 1 April to 30 June 2009 | | 1 April to 30 June 2008 | |
|---|---|---|---|---|
| | Income | Net result | Income | Net result |
| Underlying | **10,243** | **229** | 15,423 | 1,886 |
| | | | | |
| Divestments | **25** | **3** | 2,007 | 62 |
| Special items | **-1** | **-161** | - | -28 |
| IFRS as applied by ING Group | **10,267** | **71** | 17,430 | 1,920 |

Impairments on investments are presented within Investment income, which is part of Total income. In the second quarter of 2009, total impairments of EUR 499 million (second quarter of 2008: EUR 415 million) are included in the following segments: EUR 361 million (second quarter of 2008: EUR 0 million) in ING Direct, EUR 21 million (second quarter of 2008: EUR 6 million) in Commercial Banking, EUR 55 million (second quarter of 2008: EUR 55 million) in Insurance Europe, EUR 59 million (second quarter of 2008: EUR 57 million) in Insurance Americas, EUR -2 million (second quarter of 2008: EUR 3 million) in Insurance Asia/Pacific and EUR 5 million (second quarter of 2008: EUR 294 million) in Other.

Divestments in 2009 reflects the net impact of divestments including the sale of ING's 70% stake in Canada. Divestments in 2008 mainly relate to the sale of Chile Health business (ING Salud), part of the Mexican business (ING Seguros SA) and the Taiwanese life insurance business (ING Life Taiwan).
Special items includes EUR 161 million relating to restructuring costs.

6 month period

| 1 January to 30 June 2009 | Retail Banking | ING Direct | Commer-cial Banking | Insu-rance Europe | Insu-rance Americas | Insu-rance Asia/ Pacific | Other | Total segments | Elimi-nations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Underlying income: | | | | | | | | | | |
| – Gross premium income | **-** | **-** | **-** | **5,117** | **7,403** | **3,648** | **15** | **16,183** | **-** | **16,183** |
| – Net interest result - banking operations | **2,814** | **1,518** | **2,003** | **-** | **-** | **-** | **-112** | **6,223** | **43** | **6,180** |
| – Commission income | **657** | **75** | **544** | **228** | **604** | **135** | **1** | **2,244** | **-** | **2,244** |
| – Total investment and other income | **77** | **-553** | **-116** | **1,112** | **677** | **320** | **-845** | **672** | **128** | **544** |
| Total underlying income | **3,548** | **1,040** | **2,431** | **6,457** | **8,684** | **4,103** | **-941** | **25,322** | **171** | **25,151** |
| | | | | | | | | | | |
| Underlying expenditure: | | | | | | | | | | |
| – Underwriting expenditure | **-** | **-** | **-** | **5,443** | **7,969** | **3,210** | **16** | **16,638** | **-** | **16,638** |
| – Operating expenses | **2,444** | **844** | **1,314** | **759** | **836** | **371** | **119** | **6,687** | **-** | **6,687** |
| – Other interest expenses | **-** | **-** | **-** | **197** | **133** | **470** | **-257** | **543** | **171** | **372** |
| – Additions to loan loss provision | **539** | **327** | **759** | **-** | **-** | **-** | **-** | **1,625** | **-** | **1,625** |
| – Other impairments | **-** | **-** | **-** | **-** | **-** | **-** | **36** | **36** | **-** | **36** |
| Total underlying expenses | **2,983** | **1,171** | **2,073** | **6,399** | **8,938** | **4,051** | **-86** | **25,529** | **171** | **25,358** |
| Underlying result before taxation | **565** | **-131** | **358** | **58** | **-254** | **52** | **-855** | **-207** | **-** | **-207** |
| Taxation | **138** | **-63** | **111** | **67** | **-55** | **23** | **-250** | **-29** | **-** | **-29** |
| Minority interests | **6** | **-** | **-115** | **7** | **3** | **1** | **-5** | **-103** | **-** | **-103** |
| Underlying net result | **421** | **-68** | **362** | **-16** | **-202** | **28** | **-600** | **-75** | **-** | **-75** |

*Unaudited

# Notes to the condensed consolidated interim accounts*

| 6 month period 1 January to 30 June 2008 | Retail Banking | ING Direct | Commer-cial Banking | Insu-rance Europe | Insurance Americas | Insurance Asia/ Pacific | Other | Total segments | Elimi-nations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Underlying income: | | | | | | | | | | |
| – Gross premium income | - | - | - | 5,635 | 9,777 | 4,675 | 17 | 20,104 | - | 20,104 |
| – Net interest result - banking operations | 2,780 | 1,175 | 1,357 | - | - | - | -87 | 5,225 | 24 | 5,201 |
| – Commission income | 824 | 25 | 622 | 250 | 549 | 179 | 4 | 2,453 | - | 2,453 |
| – Total investment and other income | 280 | 59 | 506 | 2,053 | 1,728 | 684 | 408 | 5,718 | 91 | 5,627 |
| Total underlying income | 3,884 | 1,259 | 2,485 | 7,938 | 12,054 | 5,538 | 342 | 33,500 | 115 | 33,385 |
| | | | | | | | | | | |
| Underlying expenditure: | | | | | | | | | | |
| – Underwriting expenditure | - | - | - | 6,115 | 10,654 | 4,527 | 1 | 21,297 | - | 21,297 |
| – Operating expenses | 2,587 | 843 | 1,403 | 867 | 823 | 439 | 43 | 7,005 | - | 7,005 |
| – Other interest expenses | - | - | - | 217 | 106 | 266 | 9 | 598 | 115 | 483 |
| – Additions to loan loss provision | 101 | 83 | 147 | - | - | - | - | 331 | - | 331 |
| – Other impairments | - | - | - | 3 | - | - | 28 | 31 | - | 31 |
| Total underlying expenses | 2,688 | 926 | 1,550 | 7,202 | 11,583 | 5,232 | 81 | 29,262 | 115 | 29,147 |
| Underlying result before taxation | 1,196 | 333 | 935 | 736 | 471 | 306 | 261 | 4,238 | - | 4,238 |
| Taxation | 252 | 124 | 292 | 87 | 78 | 95 | -117 | 811 | - | 811 |
| Minority interests | 25 | 2 | -60 | -1 | 3 | 13 | -7 | -25 | - | -25 |
| Underlying net result | 919 | 207 | 703 | 650 | 390 | 198 | 385 | 3,452 | - | 3,452 |

| 6 month period<br>amounts in millions of euros | 1 January to 30 June 2009 | | 1 January to 30 June 2008 | |
|---|---|---|---|---|
| | Income | Net result | Income | Net result |
| Underlying | **25,151** | **-75** | 33,385 | 3,452 |
| | | | | |
| Divestments | **-7** | **-49** | 4,043 | 130 |
| Special items | **-15** | **-598** | - | -122 |
| IFRS as applied by ING Group | **25,129** | **-722** | 37,428 | 3,460 |

Impairments on investments are presented within Investment income, which is part of Total income. In the first half year of 2009, total impairments of EUR 1,085 million (first half year of 2008: EUR 535 million) are included in the following segments: EUR 0 million (first half year of 2008: EUR 8 million) in Retail Banking, EUR 491 million (first half year of 2008: EUR 4 million) in ING Direct, EUR 80 million (first half year of 2008: EUR 27 million) in Commercial Banking, EUR 65 million (first half year of 2008: EUR 55 million) in Insurance Europe, EUR 231 million (first half year of 2008: EUR 107 million) in Insurance Americas, EUR 27 million (first half year of 2008: EUR 4 million) in Insurance Asia/Pacific and EUR 191 million (first half year of 2008: EUR 330 million) in Other.

Divestments in 2009 reflects the net impact of divestments including the sale of ING's 70% stake in Canada. Divestments in 2008 mainly relate to the sale of Chile Health business (ING Salud), part of the Mexican business (ING Seguros SA) and the Taiwanese life insurance business (ING Life Taiwan).
Special items includes EUR 489 million relating to restructuring costs and the one-time EUR 109 million transaction result on the Illiquid Asset Back-up Facility.

*Unaudited

**11. ACQUISITIONS AND DISPOSALS**

In October 2008 ING announced that it had reached agreement to sell its entire Taiwanese life insurance business, ING Life Taiwan, to Fubon Financial Holding Co. Ltd. for approximately EUR 447 million. As at 31 December 2008 ING Life Taiwan qualified as a disposal group held for sale. The sale was completed on 13 February 2009. Consequently ING Life Taiwan is deconsolidated in the first quarter of 2009. ING was paid in a fixed number of shares with the difference between the fair value of those shares at the closing date and the sale price being paid in subordinated debt securities of the acquirer. The shares have a lock-up period of one year. ING Life Taiwan is included in the segment Insurance Asia/Pacific. This transaction resulted in a loss of EUR 292 million. The loss was recognised in 2008 in the profit and loss account.

In February 2009, ING announced that it had agreed to sell its 70% stake in ING Canada for net proceeds of approximately EUR 1,316 million (CAD 2,099 million). The transaction was closed on 19 February 2009. This transaction resulted in a decrease in Total assets of approximately EUR 5,471 million and a decrease of Total liabilities of approximately EUR 3,983 million.

On 31 July 2009 ING announced that it had reached an agreement to sell its non-core Annuity and Mortgage businesses in Chile to Corp Group Vida Chile, S.A. Terms of the agreement were not disclosed. In 2008, the Annuity and Mortgage businesses in Chile generated combined pre-tax earnings of approximately EUR 35 million. This sale does not impact ING's Pension, Life Insurance, and Investment Management businesses in Chile where ING remains committed to developing leadership positions. This transaction is subject to various national regulatory approvals and is expected to be closed and booked in the fourth quarter of 2009.

**12. ISSUANCES, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES IN ISSUE**

**Delta hedge portfolio for employee options**
ING Groep N.V. has bought 7,260,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were bought on the open market between 19 March and 23 March 2009 at an average price of EUR 4.24 per share.

ING Groep N.V. has sold 5,230,000 (depositary receipts for) ordinary shares for its delta hedge portfolio, which is used to hedge employee options. The shares were sold on the open market between 2 June and 5 June 2009 at an average price of EUR 7.80 per share.

**Issue of debt securities in issue**
ING Bank issued 3 year government guaranteed senior unsecured bonds amounting to USD 6 billion in January 2009. ING Bank issued a 5 year EUR 4 billion fixed rate government guaranteed senior unsecured bond in February 2009 and ING Bank issued a 5 year USD 2 billion fixed rate government guaranteed senior unsecured bond in March 2009. All were issued under the Credit Guarantee Scheme of the State of the Netherlands and are part of ING's regular medium-term funding operations.

*Unaudited

**13. IMPORTANT EVENTS AND TRANSACTIONS**

ING Group and the Dutch government ('State') reached an agreement on an Illiquid Assets Back-Up Facility ('Facility') on 26 January 2009; the transaction closed on 31 March 2009. The Facility covers the Alt-A portfolios of both ING Direct US and ING Insurance Americas, with a par value of EUR 30 billion. Under the Facility, ING has transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State has become the economic owner. The transaction price remains payable by the State to ING and will be redeemed over the remaining life. Furthermore, under the Facility other fees will have to be paid by both ING and the State. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from the balance sheet and recognised a receivable on the Dutch State.

The overall sales proceeds amounts to EUR 22.4 billion. The amortised cost (after prior impairments) at the date of the transaction was also approximately EUR 22.4 billion. The transaction (the difference between the sales proceeds and amortised cost) resulted in a loss of EUR 109 million after tax. The fair value under IFRS at the date of the transaction was EUR 15.2 billion. The difference between the sales proceeds and the fair value under IFRS is an integral part of the transaction and therefore accounted for as part of the result on the transaction. The transaction resulted in a reduction of the negative revaluation -and therefore increase equity- by approximately EUR 5 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by this transaction. The methodology used to determine the fair value for these assets in the balance sheet under IFRS is disclosed in the 2008 Consolidated annual accounts of ING Group.

The European Commission has temporarily approved ING Groep N.V.'s Core Tier 1 securities and the Illiquid Assets Back-up Facility with the Dutch State. Final approval requires ING Groep N.V. to submit a restructuring plan in accordance with guidelines published by the Commission on 22 July 2009 for financial institutions that received aid in the context of the financial crisis. ING Groep N.V. is currently reviewing strategic options to facilitate its continued transformation and realise its ambition to repay the Dutch State. The process will also support ING Groep N.V.'s efforts to meet the restructuring requirements set out in the guidelines published by the European Commission. The state aid process is formally one between the Dutch Ministry of Finance and the Commission, and ING Groep N.V. is working constructively with both parties to come to a resolution in the interest of all stakeholders. In-depth discussions will soon commence, the outcome of which can not be predicted, but could lead to significant changes for ING Group going forward.

**14. FAIR VALUE OF FINANCIAL ASSETS**

The methods used are disclosed in the 2008 Annual Accounts. The breakdown of assets by Reference to published price quotations in active markets, assets valued using Valuation techniques supported by market inputs and Assets valued using Valuation techniques not supported by market inputs was impacted in the first half year of 2009 by the following:

- The derecognition of Alt-A securities as disclosed in Note 13 resulted in a reduction in Valuation techniques not supported by market inputs of EUR 15.2 billion.
- The "reclassification in the first quarter" from Available-for-sale to Loans and advances to customers as disclosed in Note 3 resulted in a reduction in Valuation techniques supported by market inputs of EUR 22.8 billion.
- Certain Asset Backed Securities were reclassified from Reference to published price quotations in active markets to Valuation techniques not supported by market inputs during the first quarter because the relevant markets had become inactive; subsequently these were reclassified to loans during the second quarter.

**15. 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 32 'Related Parties' in the ING Group 2008 Annual Accounts. Following the transaction as disclosed in Note 12 above, the Dutch State is now 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 at arm's length basis. No other material changes in related party disclosures occurred.

**16. DIVIDEND PAID**

On 12 November 2008, ING Groep N.V. issued EUR 10 billion non-voting equity securities to the Dutch government. Dividends have to be paid if (interim) dividend is being paid to the holders of ordinary shares. As a result of the interim dividend paid on ordinary shares in 2008 ING recognised a dividend payable of EUR 425 million to the Dutch State as per 31 December 2008. On 12 May 2009 this dividend was paid out. Reference is made to the Annual Accounts 2008 for more detailed information on this transaction.

*Unaudited

# 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 months period ended 30 June 2009, of ING Groep N.V., Amsterdam, which comprises the condensed consolidated balance sheet as at 30 June 2009, 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 for the six months period then ended and the related notes. 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 2009 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

**AMSTERDAM, 12 AUGUST 2009**

signed by C.B. Boogaart
for Ernst & Young Accountants LLP

**Disclaimer**

Certain of the statements contained in this Condensed consolidated interim financial information are statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, (i) general economic conditions, in particular economic conditions in ING's core markets, (ii) 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, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) interest rate levels, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, and (x) changes in the policies of governments and/or regulatory authorities. ING assumes no obligation to update any forward-looking information contained in this document.

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