ING GROEP NV
Form 6-K
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For August 7, 2012

Commission File Number 1-14642

ING Groep N.V.

Amstelveenseweg 500

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The Netherlands

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T rule 101(b) (1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T rule 101(b) (7): ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b).

THIS REPORT ON FORM 6-K (EXCEPT FOR REFERENCES THEREIN TO UNDERLYING RESULT BEFORE TAX AND ANY OTHER NON-GAAP FINANCIAL MEASURE AS SUCH TERM IS DEFINED IN REGULATION G UNDER THE SECURTIES EXCHANGE ACT OF 1934, AS AMENDED) SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-155937) OF ING GROEP N.V. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED. FOR THE AVOIDANCE OF DOUBT, THE DISCLOSURE CONTAINING REFERENCES TO UNDERLYING RESULT BEFORE TAX AND ANY OTHER NON-GAAP FINANCIAL MEASURE CONTAINED IN THE ATTACHED REPORT IS NOT INCORPORATED BY REFERENCE INTO THE ABOVE-MENTIONED REGISTRATION STATEMENT OF ING GROEP N.V.

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1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

Presentation of information

In this Report on Form 6-K (Form 6-K), and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we and us refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subsidiaries are ING Verzekeringen N.V. (together with its consolidated subsidiaries, ING Insurance) and ING Bank N.V. (together with its consolidated subsidiaries, ING Bank), respectively.

All references to IFRS-IASB in this Form 6-K refer to International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB), including the decisions ING Group made with regard to the options available under IFRS as issued by the IASB.

All references to IFRS-EU in this Form 6-K refer to International Financial Reporting Standards as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU.

ING prepares financial information in accordance with IFRS-IASB for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Form 6-K. The published 2011 Consolidated Annual Accounts of ING Group, however, are presented in accordance with IFRS-EU. The Annual Accounts of ING Group will remain to be prepared under IFRS-EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk. Furthermore, IFRS 9 Financial instruments 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. Implementation of IFRS 9 may have a significant impact on equity and/or result of ING Group.

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

The financial information in this Form 6-K is prepared under IFRS-IASB as required by the SEC. This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that had ING Group applied IFRS-IASB as its primary accounting framework it may have applied alternative hedge strategies, where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting, which could have resulted in different shareholders equity and net result amounts compared to those disclosed in this Form 6-K.

A reconciliation between IFRS-EU and IFRS-IASB is included on page 22.

Both IFRS-EU and IFRS-IASB differ in several areas from accounting principles generally accepted in the United States of America (US GAAP).

Underlying result before tax and Operating result are included within this Form 6-K as they serve as performance measure utilized by the Banking operations and Insurance operations, respectively, for segment reporting.

Unless otherwise specified or the context otherwise requires, references to EUR are to euros.

Small differences are possible in the tables due to rounding.

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Cautionary statement with respect to forward-looking statements

All figures in this document are unaudited.

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 expressed or implied in such statements due to, without limitation:

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

changes in performance of financial markets, including developing markets;

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

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

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

the frequency and severity of insured loss events;

changes affecting mortality and morbidity levels and trends;

changes affecting persistency levels;

changes affecting interest rate levels;

changes affecting currency exchange rates;

changes in investor, customer and policyholder behaviour;

changes in general competitive factors;

- changes in laws and regulations;
- changes in the policies of governments and/or regulatory authorities;
- conclusions with regard to purchase accounting assumptions and methodologies;
- changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards;
- changes in credit ratings;
- ING s ability to achieve projected operational synergies; and
- the other risks and uncertainties detailed in the risk factors section contained in the most recent annual report on Form 20-F 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.

Consolidated results of operations

The following information should be read in conjunction with, and is qualified by reference to the Group s condensed consolidated interim accounts and other financial information included elsewhere herein. ING Group s operating segments are based on the management structure of the Group, which is different from its legal structure. ING Group evaluates the results of its segments using a financial performance measure called underlying result. Underlying result is defined as result under IFRS-IASB excluding the impact of divestments and special items. For the banking activities underlying result is analysed in a format that is similar to the IFRS profit and loss account.

The breakdown of underlying result before tax by business line for the 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
- 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 P&L; 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 in expenses and the following sources of income:

- Investment margin which includes the spread between investment income earned and interest credited to insurance liabilities (excluding market impacts, including dividends and coupons);
- Fees and premium-based revenues which includes the portion of life insurance premiums available to cover expenses and profit, fees on deposits and fee income on assets under management (net of guaranteed benefit costs in the United States);

Technical margin which includes the margin between costs charged for benefits and incurred benefit costs; it includes mortality, morbidity and surrender results; and

Non-modelled which is not significant and includes parts of the business for which no margins are provided.

Group Overview

ING Group s net result was EUR 1,494 million in the first six months of 2012 against EUR 3,521 million in the first six months 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.

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.

Refer to Note 13 Segment Reporting of the condensed consolidated interim accounts for Profit and loss account IFRS-IASB Group, Banking and Insurance.

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Banking operations

ING s banking underlying result before tax dropped 53.5% to EUR 1,641 million from EUR 3,528 million in the first six months of last year. This decline was largely caused by the EUR 1,329 million negative swing in fair value changes on derivatives related to asset-liability management activities for the mortgage and savings portfolios in the Netherlands and Belgium. These fair value changes are mainly a result of changes in market interest rates. No hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, underlying result before tax decreased 20.8% to EUR 2,120 million from EUR 2,678 million in the first six months of 2011. Banking underlying result in the first half of 2012 included EUR 217 million of losses on selective de-risking to reduce Risk Weighted Assets (RWA) migration and exposure to southern European debt, 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 all 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.

Total underlying income decreased 18.0% 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 308 million from EUR 1,337 million last year with EUR 1,329 million of the decline caused by the negative swing in fair value changes on derivatives related to asset-liability management activities as mentioned above. The remaining 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 62.6% from 52.3% 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 annualized 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.

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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.

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. The first half of 2011 included releases of the provision for loan losses in business lending, while in the first six months of 2012 a new Loss Given Default (LGD)-model in Record Bank was implemented, also resulting in the lower provisions.

Retail Germany

Retail Germany s underlying result before tax decreased in the first six months of 2012 to EUR 231 million from EUR 263 million in the first six months of 2011, mainly due to lower interest results and commission income, which were partially mitigated by 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 the 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 75.8% to EUR 552 million from EUR 2,283 million in the first six months of 2011. This decline was largely caused by the EUR 1,329 million negative swing in fair value changes on derivatives related to asset-liability management activities for the mortgage and savings portfolios in the Netherlands and Belgium. These fair value changes are mainly a result of changes in market interest rates. No hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, 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.

Total underlying income declined EUR 1,523 million, or 40.8%, to EUR 2,214 million in the first half of 2012. The decrease was mainly visible in the product group Bank Treasury, Real Estate & Other, due to the aforementioned negative swing in fair value changes on derivatives related to asset-liability management activities as mentioned above. Income was furthermore down in Financial Markets and Industry Lending, partly offset by an increase in General Lending & Transaction Services.

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.

Commission income dropped by EUR 58 million, or 10.8%, on the first six month 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 turned negative to EUR 169 million compared to EUR 1,262 million positive in the first half of 2011, due to the aforementioned negative swing in fair value changes on derivatives related to asset-liability management activities. Excluding this impact, other income was 24.8% lower at EUR 310 million, which is a drop of EUR 102 million compared to the first half of 2011. The decline was 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, or a decrease of 5.0%, 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 55.0%, compared with 34.3% a year ago.

Net additions to loan loss provisions rose to EUR 445 million from EUR 173 million in the first half of 2011. This included 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 the first six months of 2012 were annualised 65 basis points of average risk-weighted assets, up from 25 basis points 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.

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.

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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.

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 derivates. The first half of 2011 contained impairments of Irish bank bonds and Greek government bonds, whereas impairments in first half of 2012 were related to losses on the sale of Spanish financial institutions bonds and losses from the execution of the Greek PSI debt exchange.

Insurance United States

The operating result decreased to EUR 317 million from EUR 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.

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.

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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.

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.

Consolidated assets and liabilities

ING Group s balance sheet decreased by EUR 43 billion to EUR 1,231 billion at 30 June 2012 from EUR 1,274 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 7 billion to EUR 604 billion at 30 June 2012 from EUR 597 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 amortized 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.

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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 46 billion, mainly due to the half year net profit of EUR 1.5 billion as well as a higher revaluation reserve.

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2. ING GROUP CONDENSED CONSOLIDATED INTERIM ACCOUNTS (IFRS-IASB)

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Condensed consolidated balance sheet of ING Group

as at

amounts in millions of euros	**30 June 2012**	31 December 2011
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**	**604,077**	596,877
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	**1,231,121**	1,273,580
EQUITY		
Shareholders equity (parent)	**45,946**	42,452
Non-voting equity securities	**3,000**	3,000
	48,946	45,452
Minority interests		