

2009

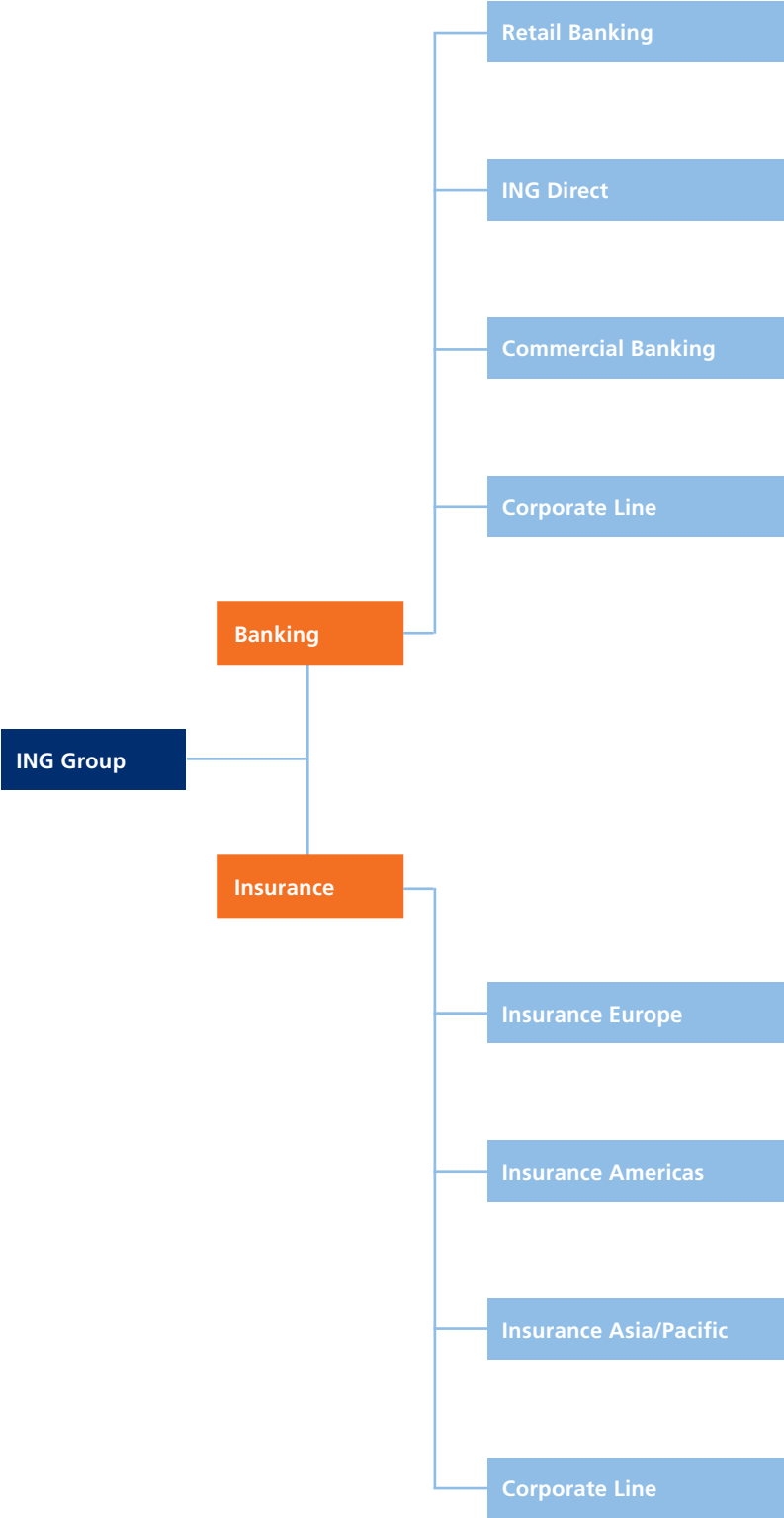
ING GROUP



# Quarterly Report

## Second quarter 2009

# GROUP REPORTING STRUCTURE

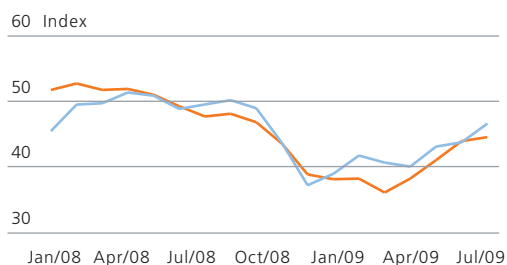


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# ECONOMIC ENVIRONMENT

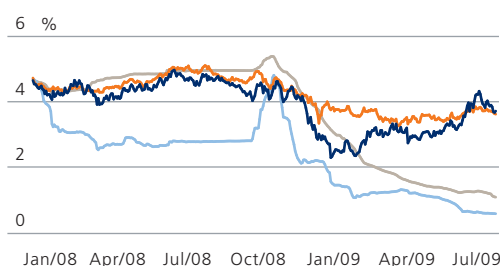
## ECONOMIC ACTIVITY



- The purchasing managers' indices (PMIs) in the US and eurozone are regarded as leading indicators of economic activity. The development of the indices improved in the second quarter, pointing to a slowdown in the rate of contraction in these economies.

— Eurozone composite PMI  
— US composite PMI

## YIELD CURVE



- The slope of the yield curve in the US and the eurozone steepened further during the second quarter of 2009.
- On balance, long-term interest rates moved higher, while short-term rates reached new lows.

— US 10yr swap      — Eurozone 10yr swap  
— US 3m interbank      — Eurozone 3m interbank

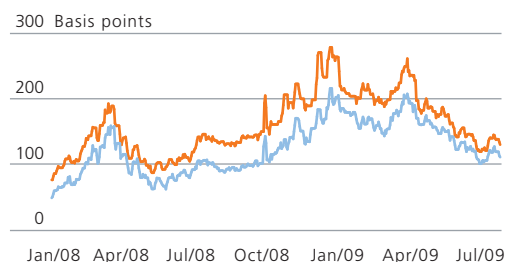
## STOCK MARKETS



- After losing ground in the beginning of the first quarter, equity markets have rebounded considerably since early March in both the US and euro area. Nevertheless, leading equity indices such as the S&P 500 remain around year-end 2008 levels and significantly below their level at the end of June last year.

— FTSE E300 (rhs)  
— S&P 500

## CREDIT MARKETS



- Credit market sentiment improved in the second quarter. Credit spreads, as measured by the CDX and iTraxx indices of investment-grade borrowers' credit default swaps, returned to levels last seen before the collapse of Lehman Brothers in September 2008.

— CDX IG 5yr (US)  
— iTraxx Main 5yr (Europe)

Source: ING Economics Department

# CHAIRMAN'S STATEMENT



"ING posted solid commercial performance in the quarter, as a more favourable interest rate environment and improved margins on savings and lending led to a 19.4% increase in interest income at the banking operations. In Insurance, the recovery of equity markets in the second quarter helped boost fees on assets under management. However, sales of investment-linked products remained subdued as customers awaited a sustained market rally or opted for traditional life products," said Jan Hommen, CEO of ING.

"Benefits of Back to Basics and improvements in equity and credit markets helped the Group return to profit with an underlying net result of EUR 229 million. However, market impacts and the weaker economic environment continue to strain ING's results. The uptick in equity markets led to a reversal of some of the DAC unlocking seen in the first quarter, but was more than offset by negative results on hedges to preserve regulatory capital. As the real economy was impacted, credit quality worsened, leading to a rise in risk costs, while lower property prices in many markets triggered negative revaluations on real estate, which are immediately reflected in the P&L."

"While we begin to see signs of recovery in financial markets, economic conditions are expected to remain challenging for some time. Against this backdrop our Back to Basics programme is our top priority and progress is ahead of plans. Our employees have managed these aggressive cost cuts with professionalism and a continued commitment to our customers. Of our target to reduce operating expenses by EUR 1 billion this year, EUR 525 million was already achieved in the first half and we now expect cost savings to reach EUR 1.3 billion driven by further reductions in infrastructure costs. Headcount has been reduced by 8,219 FTEs year-to-date, well ahead of the original plan to reduce 7,000 FTEs this year. Deleveraging of the balance sheet is also ahead of plan: the bank has achieved a total balance sheet reduction of EUR 164 billion, exceeding the EUR 110 billion target."

"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."

ING reported a positive result in the second quarter, compared to a loss in the first quarter. Pre-tax fair value changes, impairments and other market impacts remained substantial. ING made significant progress with its Back to Basics plan throughout the quarter.



## CLIENT BALANCES (IN EUR BILLION)



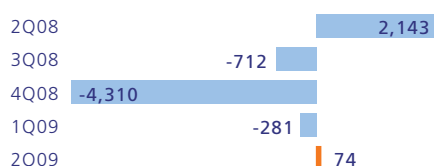
- Client balances up 1% versus 1Q09
- Gains on market performance offset by negative net production of EUR 5 billion and currency impacts
- Outflows driven by Commercial Banking, Insurance Asia/Pacific and Insurance Americas

## OPERATING EXPENSES (IN EUR MILLION)



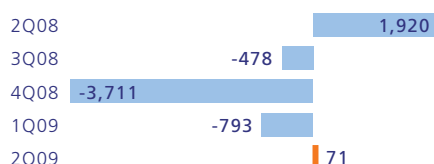
- Operating expenses -5.5% versus 2Q08; -2.4% versus 1Q09
- EUR 570 million of targeted EUR 1 billion cost savings for 2009 already achieved
- Total headcount reductions of 8,219 well ahead of full-year target of 7,000 FTEs

## UNDERLYING RESULT BEFORE TAX (IN EUR MILLION)



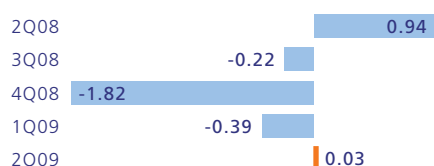
- Positive result for Group in 2Q09 after losses in last 3 quarters
- Improved operating environment characterised by favourable interest rate climate and rebound in equity markets
- Result impacted by real estate revaluations, higher risk costs and asset impairments

## NET RESULT (IN EUR MILLION)



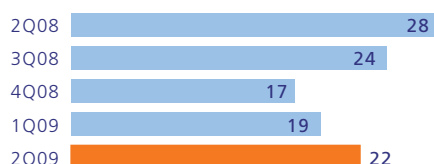
- Net result positively impacted by a tax benefit of EUR 71 million
- Net result includes EUR -161 million of restructuring provisions and EUR 2 million net result from divested units

## EARNINGS PER SHARE (IN EUR)



- Average shares outstanding in the market of 2,024 million, limited change from 1Q09
- ING will not pay an interim dividend on common shares over 2009

## SHAREHOLDERS' EQUITY (IN EUR BILLION)



- Shareholders' equity increased by EUR 2.9 billion in 2Q09
- Increase driven by positive revaluations on debt and equity securities

## CONSOLIDATED RESULTS

ING Group: Key Figures								
in EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Underlying <sup>1</sup> result before tax								
Retail Banking	426	558	-23.7%	139	206.5%	565	1,196	-52.8%
ING Direct	-175	179	-197.8%	44	-497.7%	-131	334	-139.2%
Commercial Banking	-148	365	-140.5%	506	-129.2%	358	935	-61.7%
<i>of which Commercial Banking excluding ING Real Estate</i>	432	509	-15.1%	696	-37.9%	1,127	971	16.1%
<i>of which ING Real Estate</i>	-580	-143		-190		-770	-36	
Corporate Line Banking	-307	-2		9		-297	41	
<b>Underlying result before tax from Banking</b>	<b>-204</b>	<b>1,101</b>	<b>-118.5%</b>	<b>698</b>	<b>-129.2%</b>	<b>494</b>	<b>2,506</b>	<b>-80.3%</b>
Insurance Europe	134	397	-66.2%	-75		58	736	-92.1%
Insurance Americas	256	260	-1.5%	-510		-254	471	-153.9%
Insurance Asia/Pacific	201	124	62.1%	-149		51	306	-83.3%
Corporate Line Insurance	-312	262	-219.1%	-245		-556	219	-353.9%
<b>Underlying result before tax from Insurance</b>	<b>278</b>	<b>1,042</b>	<b>-73.3%</b>	<b>-979</b>	<b>n.a.</b>	<b>-701</b>	<b>1,732</b>	<b>-140.5%</b>
<b>Underlying result before tax</b>	<b>74</b>	<b>2,144</b>	<b>-96.5%</b>	<b>-281</b>	<b>n.a.</b>	<b>-207</b>	<b>4,238</b>	<b>-104.9%</b>
Taxation	-71	302	-123.5%	44	-261.4%	-28	811	-103.5%
Minority interests	-83	-45		-21		-103	-25	
<b>Underlying net result</b>	<b>229</b>	<b>1,887</b>	<b>-87.9%</b>	<b>-305</b>	<b>n.a.</b>	<b>-75</b>	<b>3,452</b>	<b>-102.2%</b>
Net gains/losses on divestments	8	2		-56		-48	47	
Net result from divested units	-6	60		5		-1	83	
Net result special items:								
- restructuring provision Japan SPVA run-off	-21					-21		
- Retail Netherlands strategy	-41	-28		-33		-74	-122	
- not launching ING Direct Japan	-3			-2		-5		
- restructuring provision	-96			-294		-389		
- result on Alt-A portfolio				-109		-109		
<b>Net result</b>	<b>71</b>	<b>1,920</b>	<b>-96.3%</b>	<b>-793</b>	<b>n.a.</b>	<b>-722</b>	<b>3,460</b>	<b>-120.9%</b>
<b>Result per share (in EUR)</b>	<b>0.03</b>	<b>0.94</b>	<b>-96.8%</b>	<b>-0.39</b>	<b>n.a.</b>	<b>-0.36</b>	<b>1.68</b>	<b>-121.4%</b>
<b>Key figures</b>								
Return on equity (YTD)	-5.2%	19.0%		-11.5%		-5.2%	19.0%	
Underlying cost/income ratio Bank	78.1%	64.6%		61.5%		68.8%	63.1%	
Underlying cost/income ratio Bank (excl. ING Real Estate)	64.9%	61.4%		58.5%		61.5%	61.7%	
Client balances (end of period, EUR billion)	1,479	1,479		1,467	0.8%	1,479	1,479	
Number of staff (FTEs end of period, adjusted for divestments)	111,201	115,439	-3.7%	114,035	-2.5%	111,201	115,439	-3.7%
Shares outstanding in the market (average, for EPS calculation)						2,024	2,058	

<sup>1</sup> Underlying result before tax and underlying net result are non-GAAP measures for result excluding divestments and special items.

Note: small differences are possible in the tables due to rounding

- **Underlying net result of EUR 229 million**
- **Results dampened by market impacts and higher risk costs**
- **Expenses -5.5%; cost-containment programmes on track**

Global financial markets showed signs of recovery during the second quarter, leading to some improvement in operating conditions. Nonetheless, market impacts and uncertainty in the economic climate continued to weigh on results. Within this context, ING posted an underlying net profit of EUR 229 million in the second quarter, compared to an underlying net loss of EUR -305 million in the first quarter of 2009.

Improvements in the interest rate environment, reductions in client savings rates, and re-pricing in the Commercial Banking loan book fuelled a 19.4% increase in the interest result of the banking operations. Still, demand for credit was relatively low given the current economic climate. In Insurance, the global equity market rallies lifted unit-linked balances, but consumers remained risk-averse and appetite for investment-oriented products was dampened.

Property prices declined further in many markets around the world, leading to negative revaluations



on real estate of EUR -584 million and impairments on development projects and other real estate investments of EUR -110 million. The ongoing weakness in the US housing market, coupled with rising unemployment, triggered EUR -323 million of impairments related to the retained Alt-A RMBS portfolio.

Deteriorating credit conditions led to an increase in risk costs. ING Bank added EUR 852 million to loan loss provisions, or 118 basis points of average credit-risk weighted assets. Risk costs rose in Commercial Banking and at ING Direct, but declined in Retail Banking compared with the first quarter of 2009. Risk costs at ING Bank in the first quarter of 2009 were EUR 772 million, or 108 basis points of average credit-risk weighted assets.

The upward trend in US equity markets resulted in positive DAC unlocking of EUR 176 million. However, this was more than offset by EUR -346 million of fair value changes on hedges in place to protect the Insurance US regulatory capital position. Negative fair value changes on hedges related to direct equity exposure in the Netherlands were EUR -417 million.

ING made significant progress with its Back to Basics programme throughout the quarter. Cost-containment programmes and headcount reductions progressed ahead of schedule, while de-leveraging and de-risking measures were actively enforced. The benefits realised from pursuing these strategic initiatives helped to support the Group's results in the challenging operating environment.

Group operating expenses declined 5.5% from the second quarter of 2008 and were down 2.4% compared with the first quarter of 2009. During the first half of 2009, ING realised 53% of its targeted EUR 1 billion of cost savings for the year. The Group now expects to exceed its original target by EUR 0.3 billion, leading to total cost savings of EUR 1.3 billion for 2009. Total

headcount reductions stood at 8,219 by the end of the second quarter, ahead of the full-year target of 7,000 FTEs.

By the end of June, ING Bank had reduced its balance sheet by EUR 164 billion, or 15%, from 30 September 2008, exceeding its 2009 year-end target for a EUR 110 billion, or 10% reduction. The balance sheet reduction had limited implications for earnings as it was mainly due to the netting of current accounts and a decline in the non-lending portion of the balance sheet.

De-risking actions were also undertaken. Equity hedges used to protect listed equity exposure and regulatory capital were maintained, and stood at EUR 8.9 billion at the end of June. Insurance created plans for a de-risked US variable annuity product and prepared for the 31 July withdrawal from the Japanese SPVA market. The existing loan portfolio was carefully monitored using early warning systems, and the recovery process was optimised.

Banking posted an underlying loss before tax of EUR -204 million as robust interest results were more than offset by higher risk costs and negative revaluations on real estate. Results were further reduced by impairments on US mortgage-backed securities and fair value changes on part of the Bank's own Tier 2 debt.

The underlying result before tax for Insurance was EUR 278 million. Results were supported by favourable claims experience in the US, effective cost-containment initiatives and lower sales-related expenses. Consumer appetite for investment-oriented products was weak, most notably in the US and Asia/Pacific, resulting in lower sales. The decline in sales also reflects management actions taken to re-price investment products in the US and ING's withdrawal from the Japanese SPVA market. Given the uptick in equity indices during the quarter, Insurance results were adversely impacted by negative fair value changes on the EUR 8.9 billion notional of equity hedges in place to protect regulatory capital and hedge direct equity exposure.

ING Group's second-quarter underlying result before tax was EUR 74 million. Taxation was EUR -71 million, due to the combination of higher positive results that are taxed at relatively low tax rates and negative results that are deductible at

## CLIENT BALANCES 2Q2009 - ING GROUP (EUR billion)

Beginning of period	1,466.8
Net production	-5.0
Acquisitions/divestments	-0.5
Market performance	25.4
FX impact / Other	-7.5
End of period	1,479.1

## ING Group: Consolidated Income Statement

in EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Gross premium income	7,269	9,360	-22.3%	8,914	-18.5%	16,183	20,104	-19.5%
Interest result banking operations	3,143	2,662	18.1%	3,036	3.5%	6,180	5,201	18.8%
Commission income	1,161	1,238	-6.2%	1,084	7.1%	2,245	2,452	-8.4%
Direct investment income	2,407	2,441	-1.4%	2,307	4.4%	4,714	5,205	-9.4%
Realised gains and fair value changes on investm.	-3,736	-279		-434		-4,170	423	
Total investment & other income	-1,329	2,162	-161.5%	1,873	-171.0%	544	5,627	-90.3%
<b>Total underlying income</b>	<b>10,244</b>	<b>15,422</b>	<b>-33.6%</b>	<b>14,907</b>	<b>-31.3%</b>	<b>25,151</b>	<b>33,385</b>	<b>-24.7%</b>
Underwriting expenditure	5,816	9,313	-37.5%	10,822	-46.3%	16,638	21,297	-21.9%
Operating expenses	3,304	3,498	-5.5%	3,384	-2.4%	6,687	7,006	-4.6%
Other interest expenses	177	218	-18.8%	193	-8.3%	371	483	-23.2%
Addition to loan loss provisions / other impairments	870	251	246.6%	790	10.1%	1,661	362	358.8%
<b>Total underlying expenditure</b>	<b>10,169</b>	<b>13,280</b>	<b>-23.4%</b>	<b>15,189</b>	<b>-33.1%</b>	<b>25,358</b>	<b>29,147</b>	<b>-13.0%</b>
<b>Underlying result before tax</b>	<b>74</b>	<b>2,144</b>	<b>-96.5%</b>	<b>-281</b>		<b>-207</b>	<b>4,238</b>	<b>-104.9%</b>
Taxation	-71	302	-123.5%	44	-261.4%	-28	811	-103.5%
Minority interests	-83	-45		-21		-103	-25	
<b>Underlying net result</b>	<b>229</b>	<b>1,887</b>	<b>-87.9%</b>	<b>-305</b>		<b>-75</b>	<b>3,452</b>	<b>-102.2%</b>
Net gains/losses on divestments	8	2		-56		-48	47	
Net result from divested units	-6	60		5		-1	83	
Special items after tax	-161	-28		-438		-599	-122	
<b>Net result</b>	<b>71</b>	<b>1,920</b>	<b>-96.3%</b>	<b>-793</b>		<b>-722</b>	<b>3,460</b>	<b>-120.9%</b>
<b>Net result per share (in EUR)</b>	<b>0.03</b>	<b>0.94</b>	<b>-96.8%</b>	<b>-0.39</b>		<b>-0.36</b>	<b>1.68</b>	<b>-121.4%</b>

relatively high tax rates. Minority interests were EUR -83 million, which includes the third-party share in net results of the Summit real estate portfolio in Canada.

The quarterly net result was EUR 71 million, including the EUR -161 million impact of special items and the EUR 2 million net result from divested units. Special items consisted of a EUR -41 million charge related to the Retail Netherlands strategy, a EUR -96 million restructuring provision related to the Group's expense-reduction programme, a EUR -21 million restructuring provision for the SPVA run-off in Japan, and a EUR -3 million charge related to the cancelled launch of ING Direct Japan.

The net result per share was EUR 0.03. Total shares outstanding in the market were 2,027 million at the end of June 2009, compared with 2,021 million at the end of March 2009. The average number of shares used to calculate earnings per share over the second quarter of 2009 is 2,024 million.

The European Commission has temporarily approved ING's Core Tier 1 securities and the Illiquid Assets Back-up Facility with the Dutch State. Final approval requires ING 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. The state aid process is formally one between the Dutch Ministry of Finance and the Commission, and ING 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.

## CONSOLIDATED BALANCE SHEET

ING Group: Consolidated balance sheet					
in EUR million	30 June 09	31 Mar. 09		30 June 09	31 Mar. 09
<b>Assets</b>			<b>Equity</b>		
Cash and balances with central banks	20,794	19,696	Shareholders' equity	22,276	19,370
Amounts due from banks	51,355	57,011	Minority interests	1,075	1,137
Financial assets at fair value through P&L	238,852	255,586	Non-voting equity securities ("Core Tier-1 securities")	10,000	10,000
Investments	207,518	214,225	<b>Total equity</b>	<b>33,351</b>	<b>30,507</b>
Loans and advances to customers	589,439	641,075	<b>Liabilities</b>		
Reinsurance contracts	5,656	5,729	Subordinated loans	10,238	10,619
Investments in associates	3,946	4,064	Debt securities in issue	122,891	114,131
Real estate investments	4,141	4,228	Other borrowed funds	26,363	29,531
Property and equipment	6,368	6,386	Insurance and investment contracts	238,015	236,386
Intangible assets	6,594	6,822	Amounts due to banks	104,135	123,538
Deferred acquisition costs	11,393	11,615	Customer deposits and other funds on deposits	461,796	516,629
Other assets	41,866	45,400	Financial liabilities at fair value through P&L	149,305	164,353
			Other liabilities	41,829	46,143
			<b>Total liabilities</b>	<b>1,154,570</b>	<b>1,241,329</b>
<b>Total assets</b>	<b>1,187,921</b>	<b>1,271,836</b>	<b>Total equity and liabilities</b>	<b>1,187,921</b>	<b>1,271,836</b>

- **ING Group's balance sheet reduced by EUR 84 billion in 2Q09**
- **Shareholders' equity up 15%, or EUR 2.9 billion, in 2Q09**
- **Positive revaluations on debt and equity securities drive increase in shareholders' equity**

The reduction of ING Group's balance sheet accelerated in the second quarter. Total assets decreased by EUR 84 billion, or 7%, compared with the end of the first quarter. This was driven by ING Bank, where the balance sheet was reduced by EUR 85 billion, mainly due to the netting of current account balances of corporate, mid-corporate and SME clients, as well as lower balances in financial assets and liabilities recorded at fair value through the P&L.

On 30 June 2009, ING Bank had reduced its balance sheet by 15% compared with 30 September 2008. As a result, ING Bank has amply realised its target of reducing its balance sheet by 10% by the end of this year.

ING Bank will continue to optimise and reduce its balance sheet over the course of 2009 as part of ING's ongoing de-leveraging and de-risking process. As part of ING's 'One Bank' strategy, the company is working to further integrate ING Direct's balance sheet with the rest of the Bank.

Over time, funds entrusted in the banking channels will be primarily used to fund own-originated assets, thereby further reducing the Available-for-

Sale (AFS) investment portfolio. Pages 23 and 43 describe key developments in the balance sheets of ING Bank N.V. and ING Verzekeringen N.V., respectively.

### Shareholders' equity

ING's shareholders' equity increased by EUR 2.9 billion to EUR 22.3 billion at the end of the quarter. This increase is mainly due to positive unrealised revaluations of debt securities of EUR 3.8 billion and positive unrealised revaluations on equity securities of EUR 1.0 billion. These favourable revaluations were only partially offset by the following factors: negative deferred interest crediting to life policyholders of EUR -0.9 billion, negative FX impact of EUR -0.5 billion, and a EUR -0.6 billion change in the cash flow hedge reserve.

The revaluation reserve of debt securities improved from EUR -11.8 billion at the end of March to EUR -7.9 billion at the end of June. Credit spreads on corporate bonds and bonds from financial institutions tightened, while the revaluation reserve on asset-backed securities improved in the second quarter. The unrealised revaluation reserve on debt securities has no impact on ING's regulatory capital ratios or ING's D/E-ratios.

The revaluation reserve of equity securities was EUR 2.5 billion at the end of June 2009, up from EUR 1.5 billion at the end of March 2009. The

## ING Group: Change in shareholder's equity

in EUR million	ING Group		ING Bank N.V.		ING Verzekeringen N.V.		Holdings/Eliminations	
	2Q09	1Q09	2Q09	1Q09	2Q09	1Q09	2Q09	1Q09
<b>Shareholders' equity beginning of period</b>	<b>19,370</b>	<b>17,334</b>	<b>26,475</b>	<b>22,889</b>	<b>10,451</b>	<b>11,893</b>	<b>-17,556</b>	<b>-17,448</b>
Net result for the period	71	-793	-62	378	194	-1,177	-61	6
Unrealised revaluations of equity securities	997	383	587	331	410	68		-16
Unrealised revaluations of debt securities	3,759	1,174	447	2,890	3,312	-1,691		-25
Deferred interest crediting to life policyholders	-869	593			-869	593		
Realised gains/losses equity securities released to P&L	-5	155	5	15	-10	140		
Realised gains/losses debt securities released to P&L	101	493	229	-1	-128	494		
Change in cashflow hedge reserve	-631	-515	-15	-296	-624	-186	8	-33
Other revaluations	5	49	-9	-4	8	55	6	-2
Changes in treasury shares	132	-21					132	-21
Exchange rate differences	-520	745	-37	254	-476	488	-7	3
Employee stock option and share plans	11	12	11	19	8	12	-8	-19
Other	-145	-239	22		-73	-238	-94	-1
<b>Total changes</b>	<b>2,906</b>	<b>2,036</b>	<b>1,178</b>	<b>3,586</b>	<b>1,752</b>	<b>-1,442</b>	<b>-24</b>	<b>-108</b>
<b>Shareholders' equity end of period</b>	<b>22,276</b>	<b>19,370</b>	<b>27,653</b>	<b>26,475</b>	<b>12,203</b>	<b>10,451</b>	<b>-17,580</b>	<b>-17,556</b>

## ING Group: Shareholder's equity

in EUR million	ING Group		ING Bank N.V.		ING Verzekeringen N.V.		Holdings/Eliminations	
	30 June 09	31 Mar. 09	30 June 09	31 Mar. 09	30 June 09	31 Mar. 09	30 June 09	31 Mar. 09
Revaluation reserve equity securities	2,503	1,511	1,958	1,366	501	101	44	44
Revaluation reserve debt securities	-7,929	-11,789	-1,620	-2,296	-6,284	-9,468	-25	-25
Revaluation reserve crediting to life policyholders	1,959	2,828			1,959	2,828		
Revaluation reserve cashflow hedge	31	662	-440	-425	550	1,174	-79	-87
Share premium/capital	9,677	9,677	16,917	16,917	9,998	9,990	-17,238	-17,230
Other	16,035	16,481	10,838	10,913	5,479	5,826	-282	-258
<b>Total</b>	<b>22,276</b>	<b>19,370</b>	<b>27,653</b>	<b>26,475</b>	<b>12,203</b>	<b>10,451</b>	<b>-17,580</b>	<b>-17,556</b>

market value of equity securities improved throughout the portfolio, with a significant contribution from ING's 16% stake in Bank of Beijing.

### Number of shares

The total number of shares outstanding in the market edged up slightly, from 2,021 million at the end of March 2009 to 2,027 million at the end of June 2009. The total number of shares outstanding in the market equals the total number of shares minus treasury shares. The number of treasury shares fell from 42.5 million at the end of the first quarter of 2009 to 36.3 million at the end of the second quarter, due to a lower amount of shares held as a hedge for employee share options.

## CAPITAL MANAGEMENT

### ING's Capital Base

In EUR million	ING Group		ING Bank		ING Insurance	
	30 Jun 09	31 Mar 09	30 Jun 09	31 Mar 09	30 Jun 09	31 Mar 09
<b>Shareholders' equity</b>	22,276	19,370	27,653	26,475	12,203	10,450
Core Tier 1 securities	10,000	10,000	0	0	0	0
Group hybrid capital	11,646	12,023	7,118	7,284	4,519	4,730
Core debt	7,258	7,224				
<b>Total capitalisation</b>	<b>51,180</b>	<b>48,617</b>	<b>34,771</b>	<b>33,759</b>	<b>16,722</b>	<b>15,180</b>
<b>Adjustments to equity:</b>						
• revaluation reserve debt securities	7,929	11,789	1,619	2,295	6,284	9,468
• revaluation reserve crediting to life policyholders	-1,959	-2,828			-1,959	-2,828
• revaluation reserve cashflow hedge	-31	-662	438	424	-550	-1,174
• goodwill	-3,224	-3,224	-1,633	-1,610	-1,841	-1,870
Revaluation reserves fixed income etc.	2,715	5,075	424	1,109	1,934	3,596
Rev. reserves equity and real estate excluded from Tier 1			-2,700	-2,233		
Insurance hybrid capital					2,250	2,250
Minority interests			1,112	1,190	74	74
Deductions Tier 1			-1,150	-1,067	0	0
<b>Available capital</b>			<b>32,457</b>	<b>32,758</b>	<b>20,980</b>	<b>21,101</b>
Other qualifying capital			10,822	10,860		
DAC/ViF adjustment (50%)					2,574	2,425
Group leverage (core debt)	-7,258	-7,224				
<b>Adjusted Equity</b>	<b>46,637</b>	<b>46,468</b>	<b>43,279</b>	<b>43,618</b>	<b>23,554</b>	<b>23,525</b>

- **Bank core Tier 1 ratio remains strong at 7.3%**
- **RWA increase limited to EUR 5.7 billion**
- **No interim dividend over 2009**

#### Key capital and leverage ratios

ING Group's adjusted equity increased by EUR 0.2 billion to EUR 46.6 billion. This was mainly driven by the net profit. The EUR 2.9 billion increase in shareholders' equity is backed out in revaluation reserves fixed income in the calculation of adjusted equity. ING Group's core debt remained stable at EUR 7.3 billion, which helped to keep the Group's debt/equity ratio stable at 13.5%.

ING Bank's Tier 1 and core Tier 1 capital remained robust in the second quarter. Tier 1 capital decreased slightly by EUR 0.3 billion, mainly due to an unfavourable FX impact and the EUR -0.1 billion net loss in the Bank.

ING Bank's Tier 1 ratio decreased from 9.7% to 9.4%, and the core Tier 1 ratio fell from 7.5% to 7.3%, mainly due to a net increase of EUR 5.7 billion in risk-weighted assets (RWA). Credit rating migration added around EUR 11 billion of RWA in the second quarter, including EUR 6 billion in the

loan book and EUR 5 billion in the Bank's asset-backed securities (ABS) portfolio. The RWA treatment of ING Direct's remaining Alt-A RMBS has been adapted in the second quarter, resulting in a EUR 1.8 billion increase in RWA. Going forward, ING Direct's Alt-A RMBS will not be subject to further RWA increases due to credit rating migration. In the second quarter, management actions partially offset the adverse impact of credit rating migration. The balance sheet reduction resulted in a EUR 4 billion decline of RWA, while market risk-weighted assets declined by EUR 2.5 billion largely due to a lower average Value-at-Risk in the trading book. Currency effects lowered RWA by EUR 3 billion.

The increase in RWA contributed to a decline in the BIS capital ratio from 12.9% to 12.5%.

ING Insurance's debt/equity (D/E) ratio increased from 9.6% to 12.4%. Insurance adjusted equity was flat, but its core debt rose by EUR 0.8 billion. ING Insurance injected EUR 1.4 billion of capital into its operating subsidiaries in April 2009, notably into US Insurance, ING Reinsurance Netherlands and ING Life Japan. These capital

## Capital base: ING Group

In EUR million unless stated otherwise	30 Jun. 09	31 Mar. 09
Group leverage (core debt) (d)	7,258	7,224
Adjusted equity (e)	46,637	46,468
Debt/equity ratio (d/(d+e))	13.5%	13.5%

## Capital ratios: ING Bank

In EUR million unless stated otherwise	30 Jun. 09	31 Mar. 09
Core Tier 1	25,340	25,474
Hybrid Tier 1	7,118	7,284
<b>Total Tier 1 capital</b>	<b>32,457</b>	<b>32,758</b>
Other capital	10,822	10,860
<b>BIS capital</b>	<b>43,279</b>	<b>43,618</b>
Risk-weighted assets	345,068	339,357
Required capital Basel II	27,605	27,149
Required capital based on Basel I floor	29,945	29,678
<b>Basel II core Tier 1 ratio</b>	<b>7.3%</b>	<b>7.5%</b>
<b>Basel II Tier 1 ratio</b>	<b>9.4%</b>	<b>9.7%</b>
<b>Basel II BIS ratio*</b>	<b>12.5%</b>	<b>12.9%</b>

\*) Based on Basel II required capital

## Capital ratios: ING Insurance

In EUR million unless stated otherwise	30 Jun. 09	31 Mar. 09
Core debt (d)	3,345	2,508
Adjusted equity (e)	23,554	23,525
<b>Debt/equity ratio (d/(d+e))</b>	<b>12.4%</b>	<b>9.6%</b>
Available capital (a)	20,980	21,101
EU required capital (b)	8,156	8,364
<b>Capital coverage ratio (a/b)</b>	<b>257%</b>	<b>252%</b>

## Main credit ratings of ING at 30 June 2009

	Standard & Poor's		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
ING Groep N.V.	A+	Negative	A1	Stable	A+	Negative
ING Bank N.V.	AA-	Negative	Aa3	Stable	AA-	Stable
ING Verzekeringen NV	A+	Negative	A2	Stable	A+	Negative

injections were only partially offset by EUR 0.8 billion dividends from the Dutch insurance companies and ING Life Korea to ING Insurance.

As previously reported, since an interim dividend on ordinary common shares was paid in August 2008, the first short coupon on the core Tier 1 securities issued to the Dutch State was paid in May 2009. The impact of EUR 425 million coupon payment was fully included in ING's shareholders' equity and core debt at 31 December 2008.

## Capital market operations

ING Bank successfully issued a benchmark covered bond of EUR 1.25 billion with a 10-year maturity to further enhance the Bank's funding profile. Secondly, ING Bank issued a government-guaranteed debt issued under the Australian government-guaranteed programme of AUD 2 billion with a 5-year maturity.

## Acquisitions and divestments

ING completed two minor divestments in the second quarter: the sale of the non-state pension fund business in Russia and the annuity business in Argentina.

On 31 July, ING announced its sale of the annuity and mortgage businesses in Chile. The sale is expected to close in the fourth quarter of 2009 and will improve the debt/equity-ratio of ING Insurance by approximately 70 basis points.

## Dividends

ING has decided not to pay an interim dividend on commons shares over 2009. This decision was taken in view of the ING's operational results, the current capital ratios and the ongoing discussion about required capital and leverage ratios in the financial services industry. As a result of this decision, no interim dividend will be paid in August 2009.

## Ratings

The rating agencies did not change their long-term credit ratings of ING Bank, ING Insurance or ING Group during the quarter. Current credit ratings for ING Group are A+ by S&P and Fitch, and A1 by Moody's. ING Bank is rated AA- by S&P and Fitch, and Aa3 by Moody's. ING Insurance holds an A+ rating from S&P and Fitch, and A2 by Moody's.

In July, S&P downgraded all US Insurance operating entities by one notch to A+ (negative outlook) and ING Life Japan from A+ to A (negative outlook).

## RISK MANAGEMENT

### Pre-tax P&L impact impairments, fair value changes, trading losses and other market impacts ING Group

In EUR million	2Q2009	2Q2008	1Q2009
Debt securities impairments / fair value changes			
Subprime RMBS	-49	-7	-76
Alt-A RMBS	-323	-35	-178
Prime RMBS	-21	0	0
Other ABS	-19	0	0
CDO/CLO	85	-12	-36
Monoliners	-58	-5	0
Other debt securities	-22	-18	-80
Equity securities impairments	-64	-334	-194
Equity capital gains	72	698	45
Hedges on direct equity exposure	-417	75	379
Hedges on indirect equity exposure	-346	0	66
DAC unlocking	176	32	-615
Real Estate revaluations / impairments	-694	-282	-383
Private equity revaluations	8	24	-145
Other market impact	259	147	-306
<b>Total market impacts</b>	<b>-1,413</b>	<b>283</b>	<b>-1,523</b>
Loan loss provisions Bank	-852	-234	-772
<b>Total market volatility and risk costs</b>	<b>-2,265</b>	<b>50</b>	<b>-2,296</b>

- **Additions to loan loss provisions 118 bps average CRWA**
- **Estimated credit losses of EUR 108 million trigger a EUR 323 million pre-tax impairment on Alt-A RMBS**
- **Equity hedges lead to EUR 764 million negative pre-tax P&L impact; unrealised gains on equities up by EUR 1 billion**
- **EUR 694 million negative revaluations on Real Estate exposure**

#### Reducing risk and leverage

ING is taking de-risking measures to preserve shareholders' equity and limit earnings volatility. Key measures in place to support both objectives include the Illiquid Assets Back-up Facility with the Dutch State on Alt-A RMBS and equity hedges on ING's (in)direct equity exposure.

#### Asset-backed securities

ING's exposure to asset-backed securities (ABS) declined to EUR 64.6 billion at 30 June 2009 from EUR 67 billion at the end of March. ING's ABS portfolio mainly comprises US agency RMBS and European RMBS. The full composition is disclosed in the analyst presentation. The table on the next page gives details on subprime RMBS and Alt-A RMBS. ABS in the Available-for-Sale (AFS) investment portfolio declined from EUR 39 billion to EUR 29 billion in the second quarter. This was mainly caused by the reclassification of EUR 6.9 billion from AFS into Loans and Receivables and Held-to-Maturity accounting categories on 1 June 2009. These reclassifications are in addition to the

reclassification of EUR 22.8 billion European ABS and covered bonds at 26 January 2009. The reclassifications recognise the original long-term investment objective for these securities which primarily encompass European RMBS, and are aimed at insulating shareholders' equity from volatile ABS markets.

Pre-tax impairments on ABS were EUR 412 million in the second quarter, of which EUR 323 million on Alt-A RMBS. The remainder was impairments on Canadian ABCP and US prime and subprime RMBS. The EUR 323 million impairment on Alt-A RMBS was triggered by EUR 108 million of estimated credit losses until the maturity of these securities. The impairment comprises EUR 42 million re-impairments and EUR 282 million impairments on newly impaired bonds, which were triggered by EUR 51 million estimated credit losses. The difference between the estimated credit loss and the impairment can be attributed to market and illiquidity factors. IFRS requires that any security with an estimated credit loss be impaired to its market price.

The US housing market continued to weaken. The S&P Case-Schiller index for US house prices fell 7% in the second quarter, after a 7% decline in first quarter and a 18% decline in 2008. Bloomberg's 60 day+ delinquencies index of Alt-A mortgages rose to 23.9%. Delinquencies in Alt-A mortgages underlying ING's Alt-A portfolio increased from 17.2% to 20.9% in the quarter.

ING's Alt-A RMBS portfolio declined from EUR 3.8 billion to EUR 3.1 billion in the second quarter, driven by pre-payments and redemptions of underlying Alt-A mortgages. The market value declined to 57.4% of the purchase price, down from 62.8% at 31 March 2009.

ING's subprime RMBS book amounted to EUR 1.3 billion at the end of the second quarter. The market value of ING's subprime RMBS decreased to 44.8% of the purchase price from 48.2% at 31 March 2009. ING took EUR 49 million pre-tax impairments on subprime RMBS in the quarter.

ING's CDO/CLO portfolio was EUR 4.3 billion at 30 June 2009. The CDOs in ING's portfolio generally reference to investment-grade corporate credit. Insurance Americas recorded a EUR 85 million



## Subprime RMBS, Alt-A RMBS and CDO/CLO

In EUR million	30 June 2009			Change in 2Q2009			31 March 2009		
Business Line	Market value	Revaluations in Equity (pre-tax)	Market value as % purchase price	Writedowns through P&L (pretax)	Revaluation in Equity (pre-tax)	Other changes <sup>1</sup>	Market value	Revaluations in Equity (pre-tax)	Market value as % purchase price
Insurance Europe	13	0			0	-3	16	0	
Insurance Americas	1,229	-1,252		-6	-1	-213	1,449	-1,251	
Commercial Banking	17	-31		-15	-28	35	25	-99	
ING Direct	32	-40		-29	30	-4	35	-70	
<b>Total Subprime RMBS</b>	<b>1,291</b>	<b>-1,323</b>	<b>44.8%</b>	<b>-50</b>	<b>1</b>	<b>-184</b>	<b>1,525</b>	<b>-1,420</b>	<b>48.2%</b>
Insurance Americas	286	-116		-27	46	-101	368	-162	
Insurance Asia	3	-0			-0	-1	4		
Commercial Banking	278	-100		-3	24	-101	358	-124	
ING Direct	2,539	-1,174		-293	213	-479	3,098	-1,387	
<b>Total Alt-A RMBS</b>	<b>3,107</b>	<b>-1,390</b>	<b>57.4%</b>	<b>-323</b>	<b>283</b>	<b>-681</b>	<b>3,828</b>	<b>-1,673</b>	<b>62.8%</b>
Insurance Europe	601	-44			3	-14	612	-47	
Insurance Americas	2,929	-91		85	67	76	2,701	-158	
Insurance Asia	81	-6			2	-2	82	-8	
Commercial Banking	693	-99			12	-91	772	-111	
<b>Total CDOs/CLOs 2)</b>	<b>4,304</b>	<b>-241</b>	<b>95.3%</b>	<b>85</b>	<b>83</b>	<b>-32</b>	<b>4,167</b>	<b>-324</b>	<b>82.2%</b>
<b>Total</b>	<b>8,702</b>	<b>-2,954</b>		<b>-288</b>	<b>367</b>	<b>-897</b>	<b>9,520</b>	<b>-3,417</b>	

1) Including FX changes, purchases, sales, redemptions and reclassifications

2) Includes Synthetic CDOs at notional value

positive fair value adjustment through the P&L on (synthetic) CDOs. This was driven by corporate credit-spread tightening in the second quarter. Two CLO positions within ING 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 writedown 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 at 30 June 2009. ING's CMBS portfolio was fair valued at 74%, up from 69% at the end of the first quarter. The majority of this exposure remains senior AAA tranches with significant credit enhancement although performance indicators have deteriorated. There have been no impairments on ING's CMBS portfolio to date.

### Other debt securities

ING incurred EUR 22 million pre-tax impairments on its corporate bond portfolio in the second quarter, mainly in US Insurance.

### Other market impact

A decline in credit spreads resulted in a fair value change of ING Bank's own Tier 2 debt, which had a negative pre-tax impact of EUR 168 million in the P&L. This fair value change is recorded in the Corporate Line Banking and under 'Other' in the table on the previous page. 'Other' further comprises the separate account shortfall in the Dutch insurance business, VA hedging volatility in Japan and other smaller factors.

### Equity risk

ING is exposed to equity risk directly through its AFS equity portfolio and indirectly through equity-related DAC unlocking in the insurance business. In the second quarter, the S&P 500 index gained 15% while the Dutch AEX index increased 17%. The favourable stock market performance led to EUR 176 million in equity-related DAC unlocking in the US insurance business. However, temporary hedges (short S&P futures) to protect Insurance US regulatory capital position had an impact of EUR -346 million.

ING's listed equity portfolio increased to EUR 5.5 billion at 30 June 2009, up from EUR 5.0 billion at 31 March 2009. The unrealised revaluation reserve on equities, taken through shareholders' equity, increased from EUR 1.5 billion at 31 March to EUR 2.5 billion at 30 June 2009. ING holds put options



on the Eurostoxx 50 to hedge ING Insurance's listed equity portfolio. The total nominal hedged amount was EUR 3.9 billion at 30 June 2009. The impact of these hedges on the P&L was a loss of EUR 417 million. Impairments on equity securities were EUR 64 million in the second quarter as the market value for several securities remained below the purchase value for more than six months, triggering an impairment.

ING Insurance has EUR 1.7 billion in private equity and alternative investments. In the second quarter the positive pre-tax revaluations, which are taken through the P&L, were EUR 8 million.

## Real Estate risk

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 second quarter ING recorded a EUR -584 million pre-tax negative revaluation through the P&L on this portfolio, of which EUR -91 million was in Insurance and EUR -251 million related to the Summit portfolio of Canadian industrial properties. As ING Real Estate does not fully own this portfolio, 41% of Summit's after-tax net results, which includes fair value changes, is deducted in minority interests. The negative revaluations were concentrated in Canada and to a smaller extent in the US. EUR 0.1 billion of real estate was sold during the quarter. Separately, ING recorded EUR 110 million of pre-tax impairments on real estate development projects.

## Credit risk

Provisions for loan losses continued to increase in the second quarter as economic conditions deteriorated. Total net additions to loan loss provisions were EUR 852 million, against EUR 772 million in the first quarter. This translates into (annualised) 118 basis points of average credit risk-weighted assets (CRWA) versus 108 basis points in the first quarter of 2009.

The majority of the additions in loan loss provisions were made in Commercial Banking with risk costs of EUR 478 million. The biggest contributors to these higher risk costs were General Lending (EUR 150 million), Leveraged Finance (EUR 136 million) and Real Estate Finance (EUR 70 million). Risk costs in Retail Banking were EUR 205 million (or 100 basis points), which is significantly lower than the EUR 334 million (or 168 basis points) in the first quarter. The main drivers for this improvement

were Private Banking and Retail Banking in Central Europe. Risk costs for Dutch mortgages were relatively flat at EUR 35 million against EUR 32 million in the first quarter. At ING Direct, risk costs remained relatively flat compared with the first quarter at EUR 170 million (or 117 basis points), of which EUR 131 million from own-originated US mortgages. ING Bank's coverage ratio of loan loss provisions over provisioned loans was 33% at 30 June 2009 as the proportion of collateralised lending in ING Bank's loan book is relatively high.

The economic outlook points to elevated levels of risk costs in the coming quarters of at least the level of the first half of 2009.

## Risk-weighted assets

Risk-weighted assets (RWA) increased by EUR 5.7 billion to EUR 345.1 billion in the second quarter. Credit rating migration generated EUR 11 billion of RWA in the second quarter, including EUR 6 billion in the loan book and EUR 5 billion in the Bank's ABS portfolio, following downgrades of securities. The adverse impact of credit rating migration was partially offset by management actions. This included reviewing loan deal structures, enhancing collateral and not reinvesting proceeds from maturing ABS at ING Bank. The balance sheet reduction cut EUR 4 billion in RWA, while a lower average Value-at-Risk in the trading book reduced market risk-weighted assets by EUR 2.5 billion. Currency effects lowered RWA by EUR 3 billion.

Of the EUR 5 billion RWA increase that was driven by ABS rating downgrades, EUR 3.2 billion was due to ING Direct's Alt-A RMBS portfolio. As of the second quarter of 2009, ING Direct's Alt-A book is treated as a loan portfolio and is not subject to the convex RWA treatment for ABS securities. This results in a 240% RWA weighting on Alt-A RMBS, which added EUR 1.8 billion of RWA in the second quarter.

## Liquidity

Throughout the credit and liquidity crisis, ING has maintained its liquidity position within its conservative internal targets. ING Bank's loan-to-deposit ratio was 1.11 at 30 June 2009, excluding the reclassified securities. ING continues to benefit from its diversified funding profile and stable liquidity position.

## BANKING

Banking results were negatively impacted by fair value changes on real estate and part of its own Tier 2 debt, and impairments in ING Direct. Retail Banking results improved, while the Financial Markets activities continued its strong performance. The Bank continues to drive down costs and de-leverage its balance sheet.



# BANKING

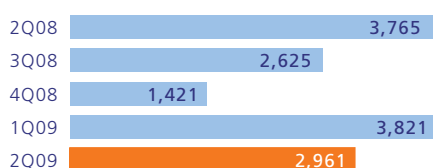
ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE | INSURANCE | EUROPE | AMERICAS | ASIA/PACIFIC | CORPORATE LINE

## CLIENT BALANCES (IN EUR BILLION)



- Net production of EUR -2.4 billion in client balances
- Decline driven by Commercial Banking, but net inflows at Retail Banking and ING Direct
- Positive market performance partly offset by negative FX

## UNDERLYING INCOME (IN EUR MILLION)



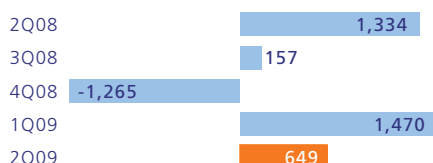
- Income impacted by impairments and negative fair value changes
- Impairments and FV changes totalled EUR -1.2 billion versus EUR -0.2 billion in 1Q09
- Interest result up 19.4% driven by margin improvements

## OPERATING EXPENSES (IN EUR MILLION)



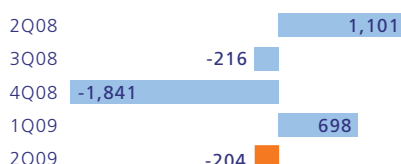
- 3,085 FTE reduction realised out of 2,800 planned for 2009
- Underlying expenses -4.9% versus 2Q08; -1.7% versus 1Q09
- Decline mitigated by impairments on real estate development projects and higher deposit insurance premiums

## GROSS RESULT (IN EUR MILLION)



- Gross result down due to impairments and fair value changes
- Strong increase at Commercial Banking excluding ING Real Estate
- Margin pressure in Retail Netherlands offset by improvements in Belgium

## UNDERLYING RESULT BEFORE TAX (IN EUR MILLION)



- Decline on 2Q08 and 1Q09 due to higher impairments/fair value changes and risk costs
- Continued strong Financial Markets results and recovery in Retail Banking
- Risk costs increase to 118 bps of average CRWA

## TOTAL RISK-WEIGHTED ASSETS (END OF PERIOD, IN EUR BILLION)



- RWA rose by EUR 5.7 billion versus March 2009
- Impact credit rating migration on RWA increase EUR 11 billion
- Partly offset by lower Value-at-Risk and negative FX impacts

## CONSOLIDATED RESULTS

Banking: Key Figures								
In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Interest result	3,182	2,666	19.4%	3,040	4.7%	6,223	5,225	19.1%
Commission income	665	753	-11.7%	609	9.2%	1,274	1,472	-13.5%
Investment income	-602	-185		-150		-753	-96	
Other income	-284	530	-153.6%	322	-188.2%	39	1,082	-96.4%
<b>Total underlying income</b>	<b>2,961</b>	<b>3,765</b>	<b>-21.4%</b>	<b>3,821</b>	<b>-22.5%</b>	<b>6,782</b>	<b>7,684</b>	<b>-11.7%</b>
Operating expenses	2,312	2,430	-4.9%	2,352	-1.7%	4,663	4,847	-3.8%
Gross result	649	1,334	-51.3%	1,470	-55.9%	2,119	2,837	-25.3%
Addition to loan loss provision	852	234	264.1%	772	10.4%	1,625	331	390.9%
<b>Underlying result before tax</b>	<b>-204</b>	<b>1,101</b>	<b>-118.5%</b>	<b>698</b>	<b>-129.2%</b>	<b>494</b>	<b>2,506</b>	<b>-80.3%</b>
Taxation	-93	249	-137.3%	202	-146.0%	109	651	-83.3%
Minority interests	-86	-45		-24		-109	-33	
<b>Underlying net result</b>	<b>-25</b>	<b>897</b>	<b>-102.8%</b>	<b>519</b>	<b>-104.8%</b>	<b>495</b>	<b>1,887</b>	<b>-73.8%</b>
Net gains/losses on divestments	0	0		0		0	0	
Net result from divested units	0	0		0		0	0	
Special items after tax	-93	-28		-170		-263	-122	
<b>Net result from Banking</b>	<b>-118</b>	<b>869</b>	<b>-113.6%</b>	<b>350</b>	<b>-133.7%</b>	<b>232</b>	<b>1,766</b>	<b>-86.9%</b>
<b>Client balances</b>								
Beginning of period	1,088.8	1,025.8	6.1%	1,073.5	1.4%	1,073.5	1,012.6	6.0%
Net production	-2.4	26.1	-109.2%	12.6	-119.0%	10.3	53.3	-80.7%
Acquisitions/divestments	-0.5	0.0		0.0		-0.5	10.4	-104.8%
Market performance	3.0	-1.0		-6.8		-3.7	-7.2	
FX impact and other	-1.2	4.8	-125.0%	9.4	-112.8%	8.2	-13.5	
<b>End of period Client Balances</b>	<b>1,087.8</b>	<b>1,055.7</b>	<b>3.0%</b>	<b>1,088.8</b>	<b>-0.1%</b>	<b>1,087.8</b>	<b>1,055.7</b>	<b>3.0%</b>
- of which Residential Mortgages	272.3	243.7	11.7%	265.2	2.7%	272.3	243.7	11.7%
- of which Other Lending	231.4	228.6	1.2%	238.6	-3.0%	231.4	228.6	1.2%
- of which Funds Entrusted	456.6	435.7	4.8%	459.4	-0.6%	456.6	435.7	4.8%
- of which AUM/Mutual Funds	127.6	147.7	-13.6%	125.6	1.6%	127.6	147.7	-13.6%
<b>Key figures</b>								
Interest margin	1.31%	1.05%		1.17%		1.24%	1.03%	
Underlying cost/income ratio	78.1%	64.6%		61.5%		68.8%	63.1%	
Underlying cost/income ratio excl. ING Real Est.	64.9%	61.4%		58.5%		61.5%	61.7%	
Risk costs in bp of average CRWA	118	36		108		113	26	
Risk-weighted assets (end of period)	345,068	322,582	7.0%	339,357	1.7%	345,068	322,582	7.0%
Underlying RAROC before tax	3.7%	20.2%		19.3%		11.5%	22.6%	
Underlying RAROC after tax	3.0%	15.7%		13.7%		8.3%	16.7%	
Economic Capital (average over period)	22,647	18,818	20.3%	22,413	1.0%	22,530	18,492	21.8%
Underlying tax rate	45.8%	22.6%		28.9%		22.0%	26.0%	
Staff (FTEs end of period)	72,137	73,393	-1.7%	73,695	-2.1%	72,137	73,393	-1.7%

- **Underlying income down due to impairments and negative fair value changes**
- **Cost-containment on track: operating expenses -4.9%**
- **Risk costs increase to 118 bps of average CRWA**

### Business update

Market conditions remained challenging in the second quarter of 2009. Real estate prices

continued to decline around the world, and the weakness in the US housing market persisted. Furthermore, a negative impact of fair value changes was recorded on part of ING's own Tier 2 debt due to a tightening in credit spreads compared with a positive impact of fair value changes in the first quarter of 2009. The total impact of the market volatility in the quarter was

EUR -1,189 million. This compares with a total negative impact of EUR -219 million in the first quarter of 2009 and EUR -109 million in the second quarter of 2008. Excluding these impacts, results before risk costs held up well driven, by an improvement of the interest margin. Client balances only slightly declined despite a further reduction of the balance sheet total.

As the global economy deteriorated, risk costs increased to EUR 852 million, or an annualised 118 basis points of average credit risk-weighted assets, compared with EUR 772 million (or 108 basis points) in the first quarter of 2009. Risk costs at Commercial Banking were significantly higher, while Retail Banking showed an improvement compared with the first quarter. The economic outlook points to elevated levels of risk costs in the coming quarters of around the level of the first half of 2009.

The commercial activity in the second quarter was slightly lower compared with the first quarter of 2009. Total client balances declined by EUR 1.0 billion to EUR 1,087.8 billion at the end of June. Excluding EUR -1.2 billion of currency effects, EUR 0.5 billion of divestments, and EUR 3.0 billion from positive market performance, the net production was EUR -2.4 billion compared with a positive net production of EUR 12.6 billion in the first quarter of 2009.

In the light of the challenging environment, ING continues to drive costs down and de-leverage the balance sheet. Cost-containment initiatives aimed cutting banking operating expenses by EUR 650 million in 2009 are on track, with a total EUR 296 million realised excluding the higher impairments on real estate development projects and increased deposit insurance premiums paid by ING Direct. At the end of June, the number of FTEs had been reduced by 3,085 out of a total announced headcount reduction of 2,800. On top of this, another 646 full-time positions were reduced in the first half of 2009 as a consequence of the integration of the Dutch retail activities.

ING's target to reduce the bank balance sheet by 10% at the end of 2009 from EUR 1,075.6 billion at 30 September 2008 has been met already. At the end of June 2009, the balance sheet total of ING Bank N.V. was EUR 912.0 billion, which is 15% lower than at the end of September. The reduction in the second quarter was EUR 85.4 billion.

## Financial update

### Total underlying income

Total underlying income declined 21.4% compared with the second quarter of 2008, driven by negative market impacts including impairments on US mortgage-backed securities and negative fair value changes at ING Real Estate. Commission income was also lower. Compared with the first quarter of 2009, income decreased 22.5%.

The interest result rose 19.4%, driven by an improvement of the interest margin. The total interest margin rose to 1.31%, up 26 basis points compared with the second quarter of 2008, supported by the de-leveraging of the balance sheet. The increase of the interest result was mainly in Commercial Banking and ING Direct, reflecting increased margins and a more favourable yield curve. The interest result of Retail Banking was only slightly higher as the impact of volume growth and margin improvements in Belgium was largely offset by the impact of fierce competition for savings elsewhere, particularly in the Netherlands. Compared with the first quarter of 2009, the total interest result increased 4.7%, driven by ING Direct. The total interest margin was up 14 basis points compared with the first quarter of 2009.

Commission income declined 11.7%, mainly due to lower asset management fees in Retail Banking and ING Real Estate on the back of lower asset values. Compared with the first quarter of 2009, commission income rose 9.2% due to higher securities business fees and the impact of several large deals in General Lending.

Investment income declined from EUR -185 million in the second quarter of 2008 to EUR -602 million this quarter. This included EUR 383 million of impairments, primarily on debt securities and EUR 290 million of negative fair value changes on direct real estate investments.

'Other income' decreased from EUR 530 million in the second quarter of 2008 to EUR -284 million. This decline was mainly caused by lower valuation results on non-trading derivatives, higher losses from associates (mainly at ING Real Estate due to the downward valuation of listed funds) and a EUR -168 million negative impact of fair value changes on the Bank's own Tier 2 debt. These negative impacts were slightly mitigated by an increase in net trading income.

## Operating expenses

Underlying operating expenses decreased 4.9%, or EUR 118 million. The positive impact of the cost-containment initiatives was partly offset by EUR 54 million of impairments on real estate development projects and a EUR 63 million increase of deposit insurance premiums paid by banks, especially in the US, including a one-off FDIC emergency charge of EUR 29 million paid this quarter. Excluding those items, operating expenses were EUR 235 million, or 9.7%, lower. Operating expenses were 1.7% lower than the previous quarter. The number of positions was reduced by 1,558 FTEs to 72,137. On top of this, the number of external staff was reduced in the second quarter by almost 1,800 FTEs.

Due to the substantially higher negative impact from the market turmoil, the underlying cost/income ratio deteriorated to 78.1% from 64.6% in the second quarter of last year. Excluding ING Real Estate, the underlying cost/income ratio was 64.9% compared with 61.4% in the second quarter of 2009.

The economic downturn led to a further increase of underlying risk costs. ING Bank added EUR 852 million to the loan loss provisions compared with EUR 772 million in the first quarter of 2009 and EUR 234 million in the second quarter of 2008. Gross additions to the loan loss provisions were EUR 1,042 million in the second quarter of 2009, while releases increased to EUR 190 million. The rise in risk costs compared with the previous quarter was largely driven by Structured Finance and General Lending, while risk costs at Private Banking were lower.

## Underlying result before tax

The banking operations recorded an underlying loss before tax of EUR 204 million in the second quarter compared with a profit of EUR 1,101 million in the second quarter last year. This is fully attributable to higher impairments and negative fair value changes, as well as significantly higher additions to the loan loss provisions.

The net underlying result of EUR -25 million was positively affected by a tax benefit on the loss and a partial charge of ING Real Estate losses to minority interests.

The total net result for Banking was EUR -118 million in the second quarter. This includes EUR -93 million of special items of which EUR -41 million

related to the combination of the Dutch retail activities, EUR -49 million to additional restructuring provisions as part of the Group initiative to reduce operating expenses by EUR 1 billion in 2009, and a EUR -3 million charge related to the cancelled launch of ING Direct Japan.

## Key figures

The underlying risk-adjusted return on capital (RAROC) after tax dropped to 3.0% from 15.7% in the second quarter of 2008, reflecting the negative impact from the market turmoil and a strong increase in economic capital.

Average economic capital rose to EUR 22.6 billion from EUR 18.8 billion in the second quarter of 2008. Half of this increase is due to the inclusion of the risk associated with the long-term investment of bank equity at the Corporate Line Bank (previously taken at Group level). The other half was driven by the three business lines. Economic capital is a non-GAAP measure which is subject to assumption changes and updates. ING is currently recalibrating its economic capital models to reflect the extreme market conditions experienced over recent months in order to align more closely with regulatory measures.

Total risk-weighted assets (RWA) rose by EUR 5.7 billion in the second quarter to EUR 345.1 billion. Credit rating migration added around EUR 11 billion of RWA in the second quarter, of which EUR 6 billion was in the loan book and EUR 5 billion in the Bank's asset-backed securities portfolio, following downgrades of securities. In the second quarter, an additional EUR 1.8 billion RWA was taken on ING Direct's remaining Alt-A RMBS portfolio, bringing the regulatory capital held against the portfolio to approximately 20%. This reflects the projected ultimate loss under a severe stress scenario. Management actions helped offset the increase in RWA. The reduction of the balance sheet resulted in EUR 4 billion lower credit risk-weighted assets. Market risk-weighted assets declined by EUR 2.5 billion, largely due to a lower average Value-at-Risk in the trading book. Currency effects resulted in EUR 3 billion lower risk-weighted assets.

## CONSOLIDATED BALANCE SHEET

ING Bank N.V. : Consolidated balance sheet					
in EUR million	30 June 09	31 Mar. 09		30 June 09	31 Mar. 09
<b>Assets</b>			<b>Equity</b>		
Cash and balances with central banks	17,222	15,811	Shareholders' equity	27,653	26,475
Amounts due from banks	51,355	57,011	Minority interests	1,150	1,236
Financial assets at fair value through P&L	133,313	155,251	<b>Total equity</b>	<b>28,803</b>	<b>27,711</b>
- trading assets	118,627	138,961	<b>Liabilities</b>		
- non-trading derivatives	9,717	11,707	Subordinated loans	20,929	21,466
- other	4,970	4,583	Debt securities in issue	111,265	102,441
Investments	105,893	107,875	Amounts due to banks	104,135	123,538
- debt securities available-for-sale	88,028	90,659	Customer deposits and other funds on deposits	471,368	530,609
- debt securities held-to-maturity	14,862	14,854	- savings accounts	292,777	292,244
- equity securities available-for-sale	3,004	2,362	- credit balances on customer accounts	109,090	151,447
Loans and advances to customers	561,249	616,958	- corporate time deposits	62,522	75,661
Investments in associates	1,559	1,709	- other	6,979	11,256
Real estate investments	2,709	2,803	Financial liabilities at fair value through P&L	146,350	160,447
Property and equipment	5,776	5,758	- trading liabilities	117,528	127,704
Intangible assets	2,441	2,443	- non-trading derivatives	16,931	20,404
Other assets	30,454	31,714	- other	11,891	12,338
			Other liabilities	29,122	31,120
			<b>Total liabilities</b>	<b>883,169</b>	<b>969,620</b>
<b>Total assets</b>	<b>911,972</b>	<b>997,331</b>	<b>Total equity and liabilities</b>	<b>911,972</b>	<b>997,331</b>

- Balance sheet reduced by EUR 164 billion or 15% since 3Q08
- Balance sheet reduction of EUR 85 billion in 2Q09
- Loan-to-deposit ratio up slightly from 1.16 to 1.19

ING surpassed its target to reduce the balance sheet by 10% from the end of September 2008. By the end of June 2009, a reduction of EUR 164 billion, or 15.2%, had already been achieved, bringing total assets to EUR 912 billion. In the second quarter alone, ING Bank's balance sheet decreased by EUR 85 billion, or 8.5%, following the netting of corporate current accounts and a reduction in trading derivatives. Going forward, ING is moving to one integrated bank balance sheet.

At ING Direct, the investment portfolio declined as maturing investments and sales have been used to pay off wholesale funding. In addition, ING Direct sold part of its Financial Institutions exposures and replaced them with assets generated elsewhere within the Group.

In Commercial Banking, derivative positions are being netted with external parties and selected proprietary investment books are being wound down.

ING Bank's loan-to-deposit ratio increased slightly from 1.16 at the end of March to 1.19 at the end of June 2009. Excluding the impact of the EUR 17 billion reclassified securities from investments and EUR 20 billion receivables from the Dutch State as a consequence of the Illiquid Assets Back-up Facility (both processed in the first quarter), the adjusted loan-to-deposit ratio increased from 1.09 to 1.11 in the second quarter. 'Loans and advances to customers' decreased by EUR 56 billion to EUR 561 billion, while customer deposits decreased by EUR 59 billion to EUR 471 billion. The main driver for those decreases is the change in product features for current accounts that allows netting in the balance sheet under IFRS. This reduced debit and credit balances on current accounts in the second quarter by EUR 52 billion. The netting of current accounts had no impact on the development of the total client balances, as this effect was already included.

ING Bank's assets leverage ratio at the end of the second quarter improved to 28.9x from 30.1 at end of March 2009. This includes EUR 3.9 billion of adjusting ING Bank's own debt to market valuations.



## Assets

Financial assets at fair value through the P&L decreased by EUR 22 billion in the second quarter. Securities borrowing and reverse repo activities were reduced by EUR 3 billion following a strong decline of EUR 16 billion in the first quarter. The market value of the trading derivatives decreased by EUR 18 billion. This decrease is completely mirrored on the liabilities side.

'Loans and advances to customers' decreased by EUR 56 billion to EUR 561 billion, of which EUR 50 billion took place in the Netherlands. This was mainly attributable to the netting of current accounts balances of corporate, mid-corporate and SME clients, which is mirrored on the liability side in customer deposits. Excluding the netting effect, loans and advances fell by EUR 4 billion. The EUR 6 billion growth in residential mortgages was more than offset by EUR 9 billion lower corporate lending outside the Netherlands.

## Liabilities

Debt securities in issue in the banking operations increased by EUR 9 billion. This was mainly due to the issuance of certificates of deposit.

'Amounts due to banks' declined by EUR 19 billion, mainly due to bank deposits (EUR 15 billion). This is only partly mirrored on the assets side under 'amounts due from banks'.

ING Bank's 'customer deposits and other funds on deposit' decreased by EUR 59 billion to EUR 471 billion at the end of the second quarter. Of this decrease, EUR 57 billion was in the Netherlands and was almost entirely attributable to the netting of current accounts. Corporate deposits in the Netherlands decreased by EUR 9 billion, or 24%. Savings were up by EUR 0.5 billion driven by the Benelux, partly offset by a decline at ING Direct.

'Financial liabilities at fair value through the P&L' in the banking operations decreased by EUR 14 billion due to the mark-to-market value of the trading derivatives (EUR 17 billion) and non-trading derivatives (EUR 3 billion). This was partly offset by the repo business, where short-term deposits placed as collateral for securities lending and repos increased by EUR 6 billion.



# BANKING RETAIL BANKING

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE | INSURANCE | EUROPE | AMERICAS | ASIA/PACIFIC | CORPORATE LINE

## Retail Banking: Key Figures

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Interest result	1,412	1,368	3.2%	1,403	0.6%	2,814	2,780	1.2%
Commission income	332	408	-18.6%	324	2.5%	656	825	-20.5%
Investment income	11	10	10.0%	14	-21.4%	24	55	-56.4%
Other income	60	152	-60.5%	-7		53	225	-76.4%
<b>Total underlying income</b>	<b>1,815</b>	<b>1,939</b>	<b>-6.4%</b>	<b>1,733</b>	<b>4.7%</b>	<b>3,548</b>	<b>3,884</b>	<b>-8.7%</b>
Operating expenses	1,184	1,314	-9.9%	1,260	-6.0%	2,444	2,587	-5.5%
Gross result	631	625	1.0%	472	33.7%	1,103	1,297	-15.0%
Addition to loan loss provision	205	66	210.6%	334	-38.6%	539	101	433.7%
<b>Underlying result before tax</b>	<b>426</b>	<b>558</b>	<b>-23.7%</b>	<b>139</b>	<b>206.5%</b>	<b>565</b>	<b>1,196</b>	<b>-52.8%</b>
<b>Key figures</b>								
Underlying cost/income ratio	65.2%	67.8%		72.7%		68.9%	66.6%	
Risk costs in bp of average CRWA	100	36		168		134	28	
Risk-weighted assets (end of period)	98,577	91,261	8.0%	94,491	4.3%	98,577	91,261	8.0%
Underlying RAROC after tax	21.6%	26.4%		17.2%		19.5%	29.1%	
Economic Capital (average over period)	6,527	6,083	7.3%	6,057	7.8%	6,292	5,845	7.6%
Staff (FTEs end of period)	48,017	48,883	-1.8%	48,871	-1.7%	48,017	48,883	-1.8%

- **Pre-tax result tripled versus previous quarter**
- **Cost containment showing effect: -9.9% from 2Q08**
- **Net production of client balances EUR 8.9 billion driven by funds entrusted**

### Business update

The market for savings and deposits remained highly competitive, especially in the Netherlands and Poland. Nonetheless, ING lowered its savings and deposit rates in several countries during the quarter. In the Netherlands and Poland, market conditions gradually allowed an adjustment of savings rates to track the reduction in short-term rates. In Belgium, client rates on savings accounts decreased following the lower ECB rates combined with successful product innovations and commercial campaigns. In the Benelux, clients began to switch back from term deposits to higher-margin variable savings accounts in reaction to low money market rates.

ING attracted EUR 6.5 billion of funds entrusted in the Retail Banking business, of which EUR 3.4 billion in savings and deposits, and EUR 3.1 billion in current accounts. Funds entrusted rose by EUR

4.7 billion in the Netherlands and by EUR 1.8 billion in Belgium. In Central and Eastern Europe, ING attracted EUR 0.6 billion, while Asia reported a net outflow of EUR 0.5 billion in funds entrusted.

Given ING's comfortable retail funding base, Retail Banking is focusing more on improving its savings margin. Rates were further reduced in the Netherlands in July 2009.

Margin pressure on savings and deposits was partially offset by an increase in the margin on lending by factoring in a higher risk premium. Demand for credit remains low; mortgage net production was EUR 2.6 billion while other lending was EUR -0.2 billion.

Additions to loan loss provisions were down compared with the first quarter of 2009 but increased across the board compared with last year, especially in business lending, reflecting the deepening recession. Delinquencies in the Dutch mortgage portfolio were stable compared with the first quarter of 2009. As part of ING Group's de-risking efforts, ING is proactively addressing credit risk exposure in all countries by tightening underwriting in high-risk segments, closely monitoring the existing portfolio using early warning systems and optimising the recovery process.

In the mature markets, ING's strategy is to achieve cost leadership by focusing on its 'internet-first' model and consolidating branches. As part of the integration of the Dutch retail activities, ING

### CLIENT BALANCES 2Q2009 - RETAIL BANKING (EUR billion)

Beginning of period	483.1
Net production	8.9
Acquisitions/divestments	-0.5
Market performance	2.5
FX impact / Other	0.1
End of period	494.1

## Retail Banking: Key Figures

In EUR million	Netherlands		Belgium		Central Europe		Asia	
	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008
Total underlying income	929	1,117	585	467	226	274	76	81
Operating expenses	618	692	341	367	167	198	57	57
Gross result	311	425	243	100	58	76	19	24
Addition to loan loss provision	108	61	40	5	11	-4	44	4
<b>Underlying result before tax</b>	<b>202</b>	<b>363</b>	<b>203</b>	<b>94</b>	<b>47</b>	<b>80</b>	<b>-26</b>	<b>20</b>
<b>Key figures</b>								
Underlying cost/income ratio	66.6%	62.0%	58.4%	78.7%	74.2%	72.2%	75.3%	70.0%
Underlying RAROC after tax	26.5%	47.5%	58.5%	29.7%	-4.3%	10.5%	4.6%	5.4%
Economic Capital (average over period)	2,829	2,407	1,109	858	1,209	1,056	1,379	1,763

launched a new service model for SME and business banking. The technical migration of former ING Bank customers to the new ING web platform took place during the second quarter. It was the biggest migration ever within ING and was carried out without major problems.

Retail Banking is also reducing costs as part of ING Group's plan to reduce expenses by EUR 1 billion this year. Retail Banking is on track to realise the planned EUR 150 million in annual cost savings although the related reduction in the first half of the year was limited to EUR 14 million. Of the announced reduction of 800 full-time positions, 1,446 had been realised by the end of June, including a reduction of 520 FTEs in India due to sales efficiency improvements. Another 646 FTEs have been reduced in the first half of 2009 due to the integration of the Dutch retail activities.

### Financial update

#### Total underlying income

Total underlying income decreased 6.4% compared with the same quarter last year. This was driven by lower positive fair value changes on derivatives not eligible for hedge accounting, as well as lower fees on assets under management. The interest result increased 3.2%. This was mainly driven by higher interest income in Belgium due to an improvement of margins and volumes which compensated for the margin pressure on savings and deposits in the Netherlands. Total underlying income rose 4.7% versus the previous quarter.

Commission income declined 18.6% as a result of lower fees on asset management related products. 'Other income' fell 60.5% to EUR 60 million compared to last year. This is partly explained by the lower positive fair value changes on derivatives not eligible for hedge accounting at ING Bank

Turkey, as well as lower financial-market-products-related income in the mid-corporate segment.

#### Operating expenses

Operating expenses declined by EUR 130 million, or 9.9%, compared with the same quarter last year on the back of cost-containment initiatives and a favourable currency impact. Compared with the previous quarter, operating expenses were down 6.0%.

In the Benelux, operating expenses were 9.4% lower than the previous-year quarter, driven by cost-containment measures, especially in IT, and helped by a one-off release in the employee benefits and pension provision. Outside the Benelux, operating expenses fell 11.8%, also thanks to cost-cutting measures and favourable currency impacts.

Compared with the previous quarter, the addition to the loan loss provision declined by EUR 129 million, mainly at Private Banking Asia as prices of assets that had served as underlying collateral for loans rose. Risk costs at ING Bank Turkey declined as a model change for country risk in the first quarter was not repeated in this quarter.

The addition to the loan loss provision increased by EUR 139 million to EUR 205 million, reflecting the economic downturn especially in the SME and mid-corporate segments in the Benelux. The increase in risk costs for the Dutch mortgage portfolio reflect a model-driven rise due to lower house price indices. Delinquencies remain stable at 1.0%.

#### Underlying result before tax

The underlying result before tax of Retail Banking more than tripled compared with the first quarter of 2009, but was 23.7% lower compared with the same quarter of 2008. The strong improvement

compared with the first quarter was driven by good progress on cost containment, lower additions to the loan loss provision and higher income in Belgium and Central Europe.

## The Netherlands

The underlying result before tax in the Netherlands declined 44.4% compared with the same quarter last year as a result of lower margins on savings and deposits due to strong competition. Compared with the previous quarter, the underlying profit before tax jumped from EUR 118 million to EUR 202 million, driven by 12% lower operating expenses and EUR 20 million lower additions to the loan loss provision.

Underlying operating expenses declined 10.7% compared with the year-ago quarter. This was mainly due to headcount reductions and other cost-cutting measures. Costs were also helped by a one-off EUR 30 million release in the employee benefits provision due to the reduction of employees. The addition to the loan loss provision increased by EUR 47 million to EUR 108 million due to higher risk costs in business lending and a model-driven provision for mortgages due to lower house price indices.

## Belgium

Belgium's underlying result before tax more than doubled, reflecting strong improvement in volumes and margins. The business benefited from successful product innovations and marketing campaigns.

Operating expenses in Belgium declined 7%, reflecting cost-containment measures, especially related to the rationalisation of the branch network. Compared with the same quarter last year, the loan loss provision increased by EUR 35 million to EUR 40 million. This was driven by higher risk costs in the mid-corporate segment.

## Central Europe

Central Europe posted an underlying result before tax of EUR 47 million, down 41.3% compared with the same quarter last year. In Poland, the result before tax declined to EUR 3 million from EUR 46 million in the second quarter of 2008. The decline is explained by continuing pressure on margins, lower volumes in asset management related products and a negative impact on hedging schemes for mid-corporate clients due to a decline in the Polish zloty against the euro. The underlying

result before tax of ING Bank Turkey rose 20% to EUR 48 million, mainly due to an improvement in margins and lower risk costs.

Operating expenses in Central Europe fell 15.7% due to cost-cutting initiatives and a favourable currency impact. The addition to the loan loss provision was EUR 11 million compared with a release of EUR 4 million in the same quarter last year. This addition reflects the economic downturn in Central Europe.

## Asia

In Asia, the underlying result before tax was EUR -26 million versus a profit of EUR 20 million last year. This decline was mainly a consequence of higher additions to the loan loss provision combined with lower fees on asset management related products as stock markets fell.

Operating expenses remained flat as investments in the branch network in India were offset by lower performance-related payments and other cost-containment initiatives in Asia. Assets under management of Private Banking Asia declined to EUR 11.0 billion from EUR 11.4 billion at the end of March, largely due to the weakening US dollar.

## Key figures

Underlying RAROC after tax decreased to 21.6% from 26.4% in the second quarter of last year, reflecting lower results and an increase in economic capital. Average economic capital rose 7.3% to EUR 6.5 billion due to growth of lending in all regions. This was only partly mitigated by lower market risk capital for ING's stakes in Bank of Beijing and Kookmin Bank.

Risk-weighted assets rose by EUR 4.1 billion in the second quarter mainly due to credit rating migration partly driven by lower house price indices in the Netherlands.

## ING Direct: Key Figures

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Interest result	813	608	33.7%	706	15.2%	1,518	1,175	29.2%
Commission income	44	10	340.0%	31	41.9%	75	25	200.0%
Investment income	-351	-14	-273.9%	-67		-418	-5	
Other income	-80	46	-273.9%	-55		-135	64	-310.9%
<b>Total underlying income</b>	<b>425</b>	<b>650</b>	<b>-34.6%</b>	<b>615</b>	<b>-30.9%</b>	<b>1,040</b>	<b>1,259</b>	<b>-17.4%</b>
Operating expenses	431	421	2.4%	413	4.4%	844	842	0.2%
Gross result	-5	228	-102.2%	202	-102.5%	196	417	-53.0%
Addition to loan loss provision	170	50	240.0%	158	7.6%	327	83	294.0%
<b>Underlying result before tax</b>	<b>-175</b>	<b>179</b>	<b>-197.8%</b>	<b>44</b>	<b>-497.7%</b>	<b>-131</b>	<b>333</b>	<b>-139.3%</b>
<b>Key figures</b>								
Interest margin	1.14%	0.93%		0.98%		1.06%	0.90%	
Underlying cost/income ratio	101.2%	64.8%		67.2%		81.1%	66.9%	
Risk costs in bp of average CRWA	117	47		109		113	40	
Risk-weighted assets (end of period)	70,385	50,293	39.9%	63,742	10.4%	70,385	50,293	39.9%
Underlying RAROC after tax	-0.4%	16.0%		9.3%		4.5%	14.6%	
Economic capital (average over period)	3,957	3,222	22.8%	4,016	-1.5%	3,987	3,136	27.1%
Staff (FTEs end of period)	9,521	9,094	4.7%	9,737	-2.2%	9,521	9,094	4.7%

- **Pre-tax loss driven by impairments and risk costs in US**
- **Excluding impairments, underlying income up 21% on strong interest result**
- **Operating expenses down 15% excluding deposit insurance premiums and FX effects**

### Business update

ING Direct posted a second-quarter underlying loss before tax, as higher interest and commission income could not offset impairments on the investment portfolio and a rise in loan loss provisions caused by ongoing weakness in the US housing market.

The interest result grew strongly this quarter, reflecting the growth in client balances and improved margins. The interest margin increased to 1.14%, mainly as a result of tracking client savings rates to decreases in central bank rates, as well as a steeper yield curve. ING Direct lowered client savings rates in all countries, with the exception of France and the US. As central banks continued to reduce rates in the eurozone, Canada

and Australia, ING Direct business units tracked at different paces depending on the local competitive environment.

Net production of client balances amounted to EUR 1.2 billion. Including positive currency and market performance impacts, total client balances reached EUR 330.0 billion at the end of June. Funds entrusted declined by EUR 2.5 billion, driven mainly by outflows in Germany following the end of a promotional campaign and a lower savings rate. In the first half of the year, the total production of new funds entrusted was EUR 8.5 billion. Own-originated mortgages grew by EUR 3.3 billion in the quarter. In all countries, new mortgage lending remained moderate and fell compared to last year. On the other hand, margins increased. Assets under management grew by EUR 1.1 billion, driven by positive market performance and a EUR 0.2 billion net inflow. ING Direct added 100,000 new clients during the second quarter, bringing the total number of customers worldwide to 22.6 million.

### CLIENT BALANCES 2Q2009 - ING DIRECT (EUR billion)

Beginning of period	327.1
Net production	1.2
Acquisitions/divestments	0
Market performance	0.8
FX impact / Other	0.9
End of period	330.0

Rising unemployment and the continued weakness in the US housing market resulted in significant impairments, mainly on the retained Alt-A RMBS portfolio. Risk costs related to the US mortgage portfolio also rose. ING Direct continues to adhere to strict mortgage underwriting policies and acceptance criteria. ING Direct US added staff to deal with loan modification and restructurings.

During the second quarter, ING Direct continued to manage down its operating expenses in all countries by reducing staff and marketing expenses, reviewing supplier relationships and further optimising its operational processes. Of the previously announced reduction of 600 full-time positions, 524 were completed by the end of June. The number of external staff was reduced by 254 FTEs compared with year-end 2008. However, this cost-containment effort could not offset the impact of higher industry-wide deposit insurance premiums especially in the US.

ING Direct continued to contribute to the de-risking and de-leveraging of ING Bank's balance sheet. In the second quarter, ING Direct's investment portfolio shrank as maturities and sales were used to pay off wholesale funding. In addition, ING Direct sold part of its Financial Institutions' exposures and replaced them with ING Group assets. The Illiquid Assets Back-up Facility with the Dutch government continues to mitigate both potential losses and increases of risk-weighted assets on the Alt-A RMBS portfolio.

ING Direct extended its product offerings during the quarter. In Italy, it introduced an e-brokerage product that is linked to the clients' payment account. ING Direct France launched a payment account, bringing the total number of countries now offering payment accounts to five. ING Direct added 77,000 new payment accounts in the second quarter, bringing the total number to 1.4 million at the end of June.

## Financial update Total underlying income

Total underlying income decreased 34.6% to EUR 425 million, including impairments on the investment portfolio of EUR 361 million, which are reported as negative investment income. Excluding impairments, underlying income was EUR 787 million, 21% higher than the second quarter of 2008.

The interest result rose 33.7%, reflecting the impact of growth in client balances and improved interest margins. The improved interest result was partly offset by lower interest income, reflecting the difference between the yield on the Alt-A RMBS and the risk-free rate received under the Illiquid Assets Back-up Facility.

The interest margin rose to 1.14% from 0.93% in the second quarter of 2008 and 0.98% in the previous quarter. This increase is mainly a result of tracking client savings rates to decreases in central bank rates, as well as a steeper yield curve.

Commission income climbed EUR 34 million to EUR 44 million in the second quarter due to the inclusion of Interhyp brokerage income and higher income from mutual funds and e-brokerage transactions, reflecting an uptick in stock market activity.

Investment income included EUR 361 million of impairments on the investment portfolio. This includes EUR 293 million related to the 20% of the Alt-A RMBS portfolio retained by ING, EUR 28 million on subprime RMBS, EUR 21 million on prime RMBS and EUR 19 million on Canadian asset-backed commercial paper. Of the Alt-A impairments, EUR 39 million was triggered by further declines in market prices of previously-impaired securities and EUR 255 million by estimated credit losses of EUR 44 million on newly impaired bonds. The difference between estimated credit loss and impairment can be attributed to market and illiquidity factors. IFRS requires that any security with an estimated credit loss is impaired to the market price.

The fall in 'Other income' was driven by the following factors: incurred losses due to prepayments on fixed term mortgages; a provision for interest costs related to the UK deposit guarantee scheme; realised losses on the sale of Financial Institutions' investments to de-risk the balance sheet; and IFRS hedge accounting results related to managing interest duration on the mortgage book.

## Operating expenses

Operating expenses at ING Direct were EUR 431 million in the quarter, up 2.4% compared with the second quarter of 2008 and 4.4% higher than the first quarter of 2009. The EUR 10 million expense increase was caused by EUR 8 million in currency translation effects. Moreover, deposit insurance premiums increased by EUR 63 million, of which EUR 29 million related to a one-off FDIC special assessment in the US. Excluding deposit insurance premiums and currency effects, operating expenses decreased by EUR 62 million, a 15% decline compared with the second quarter of 2008. This decline reflects strong cost control in all business

units as a result of reducing staff and marketing expenses, as well as lower upfront costs for mortgages on lower production.

The 'operating expenses-to-client balances' ratio (excluding marketing costs) was 44 basis points in the second quarter, up 3 basis points from the second quarter of 2008. Excluding impairments, the underlying cost/income ratio improved to 54.8% from 64.8% in the second quarter of 2008 thanks to strict cost control and a higher interest result.

The addition to the provision for loan losses was EUR 170 million, EUR 120 million higher than the same quarter last year and EUR 12 million higher than the previous quarter. This increase mainly reflects a higher rate of delinquencies and loss severities in the US mortgage market.

In the US, ING Direct's non-performing loans (90+ Days Past Due) rose to 4.1% at the end of June from 3.7% at the end of March. However, the mortgage portfolio continues to perform better than the benchmark of prime adjustable-rate mortgages (ARMs), which showed that non-performing loans had reached 13.7% at the end of May 2009. ING Direct USA's overall portfolio consists of quality customers with an average loan-to-value ratio of 79% (indexed for changes in property values); 96% of the mortgages are to owner-occupiers.

## Underlying result before tax

ING Direct reported an underlying loss before tax of EUR 175 million compared to a profit of EUR 179 million in the second quarter last year. Excluding EUR 361 million of impairments, the result before tax was EUR 187 million, up 4.5% compared with the year-ago quarter.

Australia recorded an underlying profit before tax of EUR 59 million, up from EUR 12 million in the second quarter last year, mainly driven by higher mortgage income. Germany's result (including Austria) fell from EUR 65 million to EUR 47 million. Results in Germany were negatively impacted by a lower interest margin in what continues to be a highly competitive market for savings. Higher deposit insurance premiums for the entire German banking industry also dampened results. Compared with the first quarter of 2009, results in Germany improved by EUR 26 million, driven by a reduction of client savings rates during the quarter.

In Canada, an improved interest result contributed to a pre-tax profit of EUR 27 million (excluding impairments) compared with EUR 16 million in the previous-year quarter. In the UK, results improved from a loss of EUR 21 million to a profit of EUR 26 million due to lower client savings rates and progress on the business repositioning. Compared with the previous quarter, profit in the UK was slightly down, partly reflecting the impact of the short duration of the investment book.

In Spain, pre-tax profit was up from EUR 8 million in the second quarter of 2008 to EUR 19 million, thanks to higher income combined with lower expenses. Profit in France rose from EUR 9 million to EUR 14 million thanks to an improved interest margin. In Italy, lower client savings rates and marketing expenses led to a profit of EUR 9 million compared to EUR 11 million in the second quarter of 2008 and a EUR 10 million loss in the previous quarter.

The US reported an underlying loss before tax of EUR 13 million in the quarter, excluding impairments, versus a profit of EUR 89 million in the same quarter of 2008. This loss resulted from higher risk costs, an increase in deposit insurance premiums and lower interest income related to the Illiquid Assets Back-up Facility.

## Key figures

ING Direct's after-tax RAROC decreased to -0.4%. Excluding impairments, it improved to 22.8% from 16.0% in the second quarter of 2008. Compared with the second quarter of 2008, average economic capital rose 22.8% to EUR 4.0 billion, but was down 1.5% compared with the first quarter of 2009 due to enhancements in methodology and economic capital drivers.

Compared with the previous year, risk-weighted assets (RWA) rose 39.9% to EUR 70.4 billion. In the second quarter of 2009, RWA increased by EUR 6.6 billion. This was mainly driven by credit rating migration in the investment portfolio. Additionally, as of the second quarter of 2009, ING Direct's Alt-A book is treated as a loan portfolio and is not subject to the convex RWA treatment for ABS securities. This resulted in a 240% RWA weighting on Alt-A RMBS, which added EUR 1.8 billion of RWA in the second quarter.



# BANKING COMMERCIAL BANKING

ING GROUP | BANKING | RETAIL | ING DIRECT

COMMERCIAL

CORPORATE LINE

INSURANCE

EUROPE

AMERICAS

ASIA/PACIFIC

CORPORATE LINE

## Commercial Banking: Key Figures

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Interest result	1,020	746	36.7%	983	3.8%	2,003	1,357	47.6%
Commission income	289	335	-13.7%	255	13.3%	544	623	-12.7%
Investment income	-270	-88		-87		-357	-47	
Other income	-48	186	-125.8%	289	-116.6%	241	553	-56.4%
<b>Total underlying income</b>	<b>991</b>	<b>1,178</b>	<b>-15.9%</b>	<b>1,440</b>	<b>-31.2%</b>	<b>2,431</b>	<b>2,486</b>	<b>-2.2%</b>
Operating expenses	661	695	-4.9%	653	1.2%	1,314	1,403	-6.3%
Gross result	330	483	-31.7%	786	-58.0%	1,116	1,082	3.1%
Addition to loan loss provision	478	117	308.5%	280	70.7%	759	147	416.3%
<b>Underlying result before tax</b>	<b>-148</b>	<b>365</b>	<b>-140.5%</b>	<b>506</b>	<b>-129.2%</b>	<b>358</b>	<b>935</b>	<b>-61.7%</b>
of which Comm.Banking excl. ING Real Estate	432	509	-15.1%	696	-37.9%	1,127	971	16.1%
of which ING Real Estate	-580	-143		-190		-770	-36	
<b>Key figures</b>								
Underlying cost/income ratio	66.7%	59.0%		45.4%		54.1%	56.5%	
Underlying cost/income ratio excl. ING Real Estate	37.0%	48.7%		36.9%		36.9%	51.0%	
Risk costs in bp of average CRWA	131	32		76		103	21	
Risk-weighted assets (end of period)	172,325	178,951	-3.7%	178,611	-3.5%	172,325	178,951	-3.7%
Underlying RAROC after tax	3.9%	9.9%		18.8%		11.4%	12.3%	
Economic Capital (average over period)	9,728	9,020	7.8%	9,912	-1.9%	9,820	9,010	9.0%
Staff (FTEs end of period)	14,600	15,416	-5.3%	15,087	-3.2%	14,600	15,416	-5.3%

- **Pre-tax loss due to EUR 683 million real estate revaluations, impairments and other market impacts**
- **Excluding revaluations and impairments, income +17.7%**
- **Cost-containment on track: -12.7% before impairments**

### Business update

Commercial Banking booked a second-quarter underlying result before tax of EUR -148 million, driven by an underlying loss before tax of EUR 580 million at ING Real Estate. Excluding ING Real Estate, Commercial Banking generated a profit before tax of EUR 432 million.

Commercial Banking's results were driven by significant negative revaluations and impairments on real estate and a further increase in loan loss provisions. These factors more than offset positive momentum in the interest result, which was up strongly compared with both the year-ago quarter and the first quarter of 2009.

Financial Markets achieved strong results, primarily due to robust levels of client-driven activity, favourable market opportunities and the level of credit spreads. Interest margins for both General Lending and Structured Finance products continued to increase as ING supported clients' financing needs while maintaining its strict underwriting standards. Efforts to boost cross-selling and secure event finance mandates came to fruition, as demonstrated by the sharp increase in commission income for General Lending. Interest margins in Payments & Cash Management were under pressure, mainly as a result of the low interest rate environment.

However, the effects of the global economic downturn continued to negatively impact major real estate markets around the world. This resulted in substantial negative revaluations within ING Real Estate totalling EUR 493 million before tax and minority interests. The Summit portfolio of Canadian industrial properties accounted for half of the negative fair value changes. The impact on the underlying net profit was tempered by the fact that the Summit portfolio is not fully owned by ING Real Estate and therefore a 41% deduction of underlying results after tax is reflected in minority interests. Impairments of EUR 110 million adversely affected both the Investment and Development portfolios.

### CLIENT BALANCES 2Q2009 - COMMERCIAL BANKING (EUR billion)

Beginning of period	278.6
Net production	-12.4
Acquisitions/divestments	0
Market performance	-0.3
FX impact / Other	-2.3
End of period	263.7

## Commercial Banking: Key Figures

In EUR million	GL & PCM		Structured Finance		Leasing & Factoring		Financial Markets		Other products		ING Real Estate	
	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008
Total underlying income	348	267	277	231	102	108	534	451	72	107	-341	14
Operating expenses	129	145	79	88	49	60	169	175	67	99	168	128
Gross result	219	122	198	143	52	48	365	275	5	9	-509	-114
Addition to loan loss provision	150	-16	214	97	40	7	3	0	0	-1	70	29
<b>Underlying result before tax</b>	<b>69</b>	<b>137</b>	<b>-16</b>	<b>47</b>	<b>13</b>	<b>40</b>	<b>362</b>	<b>275</b>	<b>5</b>	<b>9</b>	<b>-580</b>	<b>-143</b>
<b>Key figures</b>												
Underlying cost/income ratio	37.1%	54.3%	28.4%	38.0%	48.4%	55.7%	31.6%	38.9%	93.4%	92.0%	n.a.	912.6%
Underlying RAROC after tax	15.0%	8.4%	28.9%	22.2%	26.7%	24.4%	38.2%	28.8%	41.4%	12.8%	-80.9%	-23.2%
Economic Capital (average over period)	2,225	1,907	1,552	1,360	447	431	2,917	2,683	376	464	2,211	2,175

Net production of client balances was EUR -12.4 billion in the second quarter, of which EUR -5.1 billion was in lending and EUR -7.5 billion in funds entrusted. The decline in funds entrusted was mainly attributable to a decrease in corporate deposits (part of client balances). However, debt securities in the Financial Markets business increased. Although the deposit markets are slowly recovering from the distressed situation, the professional cash market is still driven by short-term contracts.

Operating expenses declined 4.9% from the second quarter last year, but rose 1.2% versus the first quarter of 2009 due to impairments on development projects at ING Real Estate, which are partly recorded in expenses. Excluding impairments on development projects, Commercial Banking's cost-containment programmes are on track to meet the targeted reduction of EUR 350 million for 2009 versus 2008 levels. Year-to-date, EUR 133 million of the targeted cost savings have been achieved. Of the associated headcount reduction of 1,400 FTEs, 1,115 have taken place since September 2008; the decline in the second quarter was 457 FTEs.

During the second quarter, Commercial Banking again contributed considerably towards de-leveraging ING Bank's balance sheet. This was largely driven by Financial Markets, where derivative positions are being netted with external parties and selected proprietary investment books are being wound down. Financial Markets continued to focus on selling core products that are not capital intensive. Within Payments & Cash Management, ING achieved further netting of current account balances.

Commercial Banking also made progress in de-risking its businesses. For example, Financial Markets is operating at markedly lower Value-at-Risk levels than a year ago. ING Real Estate Development concentrated on managing existing projects and refocusing the real estate project portfolio and development pipeline.

In the second quarter, ING Real Estate defined plans for the transition of its Investment Management business into ING's new Global Asset Management division. ING Real Estate Finance and Development will be further integrated within Commercial Banking. The Central Works Council gave a positive advice about these plans in July; the formal de-coupling process is now underway. Client servicing and portfolio management will remain unaffected, and there will be no financial reporting changes until 2010.

### Financial update

#### Total underlying income

Income declined 15.9% compared with the second quarter of 2008. This included EUR 629 million of negative revaluations, impairments and other market impacts, versus EUR 198 million in the second quarter last year. Excluding these market impacts, income increased 17.7%. The interest result rose 36.7%, attributable to higher lending margins and strong Financial Markets results in interest rate related products.

Commission income was down 13.7% from the second quarter of 2008. Commissions in General Lending & PCM doubled, fuelled by several large transactions, while fees for ING Real Estate Investment Management and Corporate Finance & Equity Markets were lower. Investment and other income were both negative, mainly as a result of



fair value changes at ING Real Estate totalling EUR 493 million. Of this amount, EUR 290 million was booked in investment income and EUR 203 million in other income.

## Operating expenses

Operating expenses declined 4.9% from the same quarter last year, despite EUR 54 million of impairments on real estate development projects. Excluding these impairments, the decline in expenses was 12.7%. This reflects the favourable impact of headcount reductions and other cost-containment measures, coupled with lower performance-related staff costs. Compared with the first quarter of 2009, which contained EUR 22 million of impairments, the decrease in recurring costs was 3.8%.

Loan loss provisions continued to increase as a result of the difficult economic environment and weakening credit conditions. Risk costs in the second quarter were EUR 478 million, or the equivalent of 131 basis points of average credit risk-weighted assets. In the first quarter of 2009, risk costs were EUR 280 million, or 76 basis points of average credit risk-weighted assets. Risk costs in the current quarter were largely driven by Leveraged Finance, and to a lesser extent by General Lending in the Netherlands and Continental Western Europe. In Leveraged Finance, risk costs related to a small number of large accounts. In General Lending, risk costs were spread over a number of files in different industry sectors and countries. Provisions were driven by circumstances specific to each individual file; no general industry trends were observed.

## Underlying result before tax

In the second quarter, Commercial Banking recorded a loss of EUR 148 million before tax. Negative revaluations, impairments and other market impacts took a toll of EUR 683 million, compared with EUR 198 million in the second quarter of 2008 and EUR 261 million in the first quarter of 2009. Loan loss provisions increased by EUR 361 million compared with the second quarter of 2008, and by EUR 198 million versus the first quarter of 2009, reflecting the impact of the weak economic environment. Before risk costs, results increased for most product groups, underscoring Commercial Banking's strong underlying business performance.

## General Lending & PCM

Income for General Lending & PCM grew 30.3% compared with the second quarter of 2008 and 23.0% on the first quarter of 2009. Commission income more than doubled as fees on a number of large deals for clients including InBev and Gas Natural were reported in the quarter. Income was further supported by a higher interest result as lending margins continued to increase. This helped to offset slightly lower income for PCM, where margins remain under pressure given the low interest rate environment. Expenses fell 11.0%, mainly reflecting the impact of lower headcount and project costs. Loan loss provisions rose to EUR 150 million while the second quarter of last year showed a net release of EUR 16 million. Therefore, despite a 79.5% increase in gross result, General Lending & PCM's underlying result before tax was lower than a year ago.

ING Real Estate								
In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
<b>Underlying result before tax</b>								
Investment Management	9	34	-73.5%	22	-59.1%	31	72	-56.9%
Investment Portfolio	-524	-214		-204		-728	-264	
Finance	28	35	-20.0%	15	86.7%	44	92	-52.2%
Development	-93	2	-4750.0%	-23		-116	64	-281.3%
<b>Total underlying result before tax</b>	<b>-580</b>	<b>-143</b>		<b>-190</b>		<b>-770</b>	<b>-36</b>	
<b>Portfolio (in EUR billion)</b>								
Investment Management	64.7	72.8	-11.1%	65.6	-1.4%	64.7	72.8	-11.1%
Development AuM	3.2	3.1	3.2%	3.1	3.2%	3.2	3.1	3.2%
<b>Total Assets under management</b>	<b>67.9</b>	<b>75.8</b>	<b>-10.4%</b>	<b>68.7</b>	<b>-1.2%</b>	<b>67.9</b>	<b>75.8</b>	<b>-10.4%</b>
Real Estate Finance portfolio	36.7	35.6	3.1%	37.2	-1.3%	36.7	35.6	3.1%
<b>Total portfolio</b>	<b>104.6</b>	<b>111.4</b>	<b>-6.1%</b>	<b>105.9</b>	<b>-1.2%</b>	<b>104.6</b>	<b>111.4</b>	<b>-6.1%</b>

## Structured Finance

In Structured Finance, solid income growth and declining expenses were more than fully offset by a further increase in loan loss provisions. Income increased 19.9% on last year and showed a small increase from the first quarter, mainly fuelled by higher interest margins resulting from re-pricing in the existing book and higher margins on new business. Headcount reductions and lower performance-related payments resulted in a 10.2% decline in expenses. The cost/income ratio improved to 28.4% from 38.0% in the second quarter of 2008. Risk costs were very high, at EUR 214 million, compared with EUR 97 million in the prior-year quarter. Almost two-thirds of this amount relates to a small number of files in the Leveraged Finance portfolio, which were also responsible for many of the provisions in the first quarter of 2009. Of the largest provisioned accounts, none is yet in default on interest payments. The Leveraged Finance portfolio stood at EUR 3.4 billion at the end of the quarter.

## Leasing & Factoring

The result before tax of Leasing & Factoring was EUR 13 million, down EUR 27 million on the prior-year quarter due to higher loan loss provisions in General Lease. Income was up compared with the first quarter of 2009, in part due to a one-off gain of EUR 5 million. Compared with the second quarter of 2008, income declined 5.6% because of lower income at ING Car Lease. The used vehicle market remains under pressure, resulting in lower results from the sale of leased assets following contract termination and lapses. New business volumes in Car Lease remained low. Leasing & Factoring is on track to meet cost and headcount reduction targets, including the rightsizing of the General Lease activities in Germany and France. Expenses fell 18.3% compared with the previous-year quarter and 7.5% from the first quarter of 2009, helped in part by a strengthening of the euro against the British pound and some Central European currencies.

## Financial Markets

Financial Markets had another strong quarter with a result before tax of EUR 362 million, up 31.6% on the second quarter of 2008. A particularly strong performance was reported in credit bonds, government bonds and interest rate products, fuelled by a strong client franchise and an increase in spreads. Total underlying income rose 18.4%, despite a negative revaluation of EUR 58 million on

credit default swaps with one monoline insurer.

Financial Markets' higher results were achieved on the back of a lower risk profile and successful deleveraging of the balance sheet, including netting of derivative positions with external parties and the winding down of selected proprietary investment books. Expenses were 3.4% lower than the second quarter of 2008 and 8.6% lower than the first quarter of this year.

## ING Real Estate

ING Real Estate recorded an underlying loss of EUR 580 million before tax. Continued downward pressure on real estate prices worldwide led to unrealised fair value losses of EUR 493 million before tax and minority interests compared with EUR -238 million in the second quarter of 2008. Of the negative fair value adjustments in the second quarter of this year, EUR 457 million related to the Investment Portfolio, of which the Summit portfolio of Canadian industrial properties accounted for EUR 251 million. The remaining EUR 36 million was booked in Real Estate Development.

The impact on the underlying net profit was tempered by the fact that the Canadian Summit portfolio is not fully owned by ING Real Estate and therefore a 41% deduction of underlying results after tax is reflected in minority interests.

Impairments on development projects amounted to EUR 110 million, of which EUR 56 million is reflected as negative income and EUR 54 million as operating expenses. Excluding impairments, expenses declined 10.9%, attributable to significant headcount reductions across all business activities. At the end of June, ING Real Estate's total portfolio was EUR 104.6 billion, 6.1% lower than at the end of the second quarter of 2008.

Real Estate Investment Management recorded a pre-tax profit of EUR 9 million, down from EUR 34 million in the second quarter of 2008.

Deteriorating market conditions led to lower asset management, transaction and outperformance fees. Assets under management (AUM) amounted to EUR 64.7 billion, 1.4% lower than the end of the first quarter of 2009.

The result before tax for Real Estate Finance was EUR 28 million, 20% lower than the year-ago quarter. This decrease was entirely driven by higher loan loss provisions, particularly in the US. Risk costs in the current quarter were EUR 70 million,

down from EUR 82 million in the first quarter of 2009. Before risk costs, the result before tax increased by EUR 34 million, or 53.3%, on the second quarter of 2008, thanks to the combination of higher spreads and an increase in the average portfolio compared with the second quarter last year. At the end of June, the total Finance portfolio was EUR 36.7 billion, up 3.1% from the end of the second quarter of 2008, but 1.3% lower than at the end of March.

Real Estate Development posted an underlying loss before tax of EUR 93 million, compared to a small profit in the same quarter of 2008. Worsening market conditions caused impairments (EUR 53 million) on a number of development projects, mainly in the UK and Spain. Also, EUR 36 million of negative fair value changes were booked. Assets under management in the Development portfolio amounted to EUR 3.2 billion, 3.2% higher than a year ago.

#### Other products

Substantial cost reductions in 'Other Products' almost fully compensated a drop in income, contributing to a profit before tax of EUR 5 million. Commission income for Corporate Finance & Equity Markets was flat on the first quarter, but considerably lower than the prior-year quarter. Operating expenses dropped 32.3%, mainly as a result of headcount reductions in Corporate Finance & Equity Markets and lower performance-related staff costs.

#### Key figures

Economic capital declined 1.9% compared with the first quarter of 2009. A further increase in credit risk capital, mainly due to risk migration, was offset by lower market risk capital and a decline in client balances. Compared with the second quarter of 2008, economic capital rose 7.8%. RAROC, for which actual loan loss provisions are replaced with expected losses over the cycle, was 3.9% after tax. Revaluations and impairments had a significant impact on RAROC as well. Excluding these items, after-tax RAROC was 28% for the second quarter of 2009, up from 18% in the same period of 2008.

Risk-weighted assets decreased 3.5% compared with the end of the first quarter. The impact of credit rating migration was more than offset by further de-leveraging of the balance sheet, particularly in Financial Markets, as well as lower

market risk-weighted assets. Total risk-weighted assets declined 3.7% compared with a year ago.

## Banking Corporate Line: Underlying result before tax

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Income on capital surplus	42	-7	49	12	30	55	63	-8
Solvency costs	-26	-16	-10	-27	1	-54	-32	-21
Financing charges	-79	-22	-57	-52	-28	-131	-60	-71
Amortisation intangible assets	-8	-7	-1	-8	0	-16	-15	-1
FX results, fair value changes and other	-193	71	-264	95	-288	-99	147	-246
Total Capital Management	-264	19	-284	20	-284	-245	103	-347
Other	-42	-21	-22	-10	-32	-53	-62	9
<b>Underlying result before tax</b>	<b>-307</b>	<b>-2</b>	<b>-305</b>	<b>9</b>	<b>-316</b>	<b>-297</b>	<b>41</b>	<b>-338</b>

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 for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in. ING's policy is that equity held locally must be invested notionally at the local risk-free rate. The Corporate Line charges business units for the income they make on the book equity invested. Business units receive a benefit equivalent to the risk-free euro rate on the economic capital they employ. Consequently, the results of the businesses as disclosed are the local results after Group overhead charges, while the investment returns on equity are based on the risk-free euro rate on economic capital.

Another capital management item is solvency costs. This is the negative carry that results when hybrid Tier 1 capital and lower Tier 2 debt are raised and subsequently passed on as senior funding at the applicable funds transfer price (which is usually linked to LIBOR).

The hybrids issued by ING Group (being the holding company of the bank and insurance company) are lent to ING Bank and ING Insurance on a mirrored basis. The costs of core debt from ING Group are allocated pro rata to ING Bank and ING Insurance on a quarterly basis using the respective IFRS Equity as an allocation key. Any ING Group dividends on ordinary shares and coupon payments on core Tier 1 securities are funded by ING Group based on dividend upstreams from ING Bank and ING Insurance.

Capital Management applies ratio and FX hedging to prevent currency changes translating into significant changes in the Tier 1 ratio.

## Financial update

The Corporate Line Banking reported an underlying result before tax of EUR -307 million compared with EUR -2 million in the second quarter of 2008.

Income on capital surplus was EUR 49 million higher, although the capital charge received from the business units on the invested book equity was lower as a result of lower interest rates. This was more than offset by positive results on the interest risk hedges and clearing balances. Financing charges increased by EUR 57 million and solvency costs by EUR 10 million.

Compared with the second quarter of 2008, 'FX results, fair value changes and other' was EUR 264 million lower. Income on FX hedges was EUR 190 million lower mainly due to a positive revaluation result of EUR 186 million in the second quarter of 2008 on a hedge in a foreign entity which became ineffective. The impact of fair value changes on part of its own Tier 2 debt decreased by EUR 120 million, due to a tightening of credit spreads in this quarter, whereas liquidity costs increased by EUR 43 million. These items were partly offset by the impact of an impairment of EUR 97 million on two equity stakes in the second quarter of 2008.

The result of 'Other' was EUR 22 million lower, due to lower interest received on tax restitutions and higher shareholders expenses not allocated to the business lines. This was partly offset by lower Formula One sponsoring costs.

Compared with the first quarter of 2009, result before tax declined by EUR 316 million. This was mainly caused by the swing in fair value changes on own Tier 2 debt. In the first quarter, fair value changes had a positive impact of EUR 182 million due to an increase of credit spreads, while the second quarter showed a negative impact of EUR -168 million.

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## INSURANCE

Insurance returned to profitability in the second quarter, despite losses on hedge positions. Customer appetite for investment products remained muted despite rising equity markets. Insurance is making progress in reaching its cost and staff reduction targets.



# INSURANCE

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE

INSURANCE

EUROPE | AMERICAS | ASIA/PACIFIC | CORPORATE LINE

## CLIENT BALANCES (IN EUR BILLION)



- Client balances increased by EUR 13.4 billion, benefiting from rising equity markets
- Net production of EUR -2.6 billion, with net production of EUR -1.7 billion in Asia/Pacific
- Currency movements had EUR -6.0 bln impact on client balances

## GROSS PREMIUM INCOME (IN EUR MILLION)



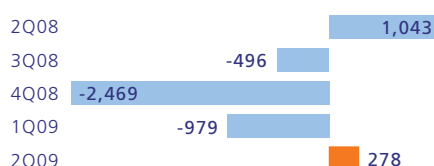
- Gross premium income down 22.3%, or 28.3% excluding currency movements
- Decline reflects lower sales of single premium investment-oriented products, particularly in the Americas and Asia/Pacific

## OPERATING EXPENSES (IN EUR MILLION)



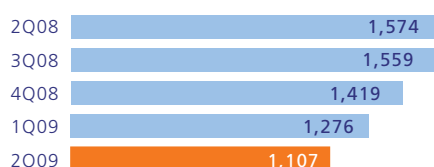
- Operating expenses decrease 7.0% from 2Q08, or 11.4% excluding currency effects and CitiStreet acquisition
- All regions contribute to the expense decline
- FTEs reduced by 5,134 exceeding the 4,200 target

## UNDERLYING RESULT BEFORE TAX (IN EUR MILLION)



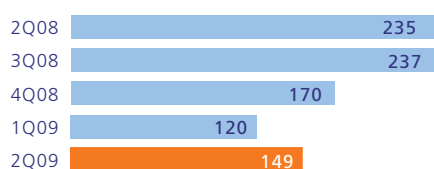
- Underlying result improved on 1Q09 due to lower negative impact of market volatility
- Result decline from 2Q08 due to negative fair value changes on equity derivatives and negative revaluations on real estate

## SALES (APE) (IN EUR MILLION)



- Sales down 29.7%, or 33.2% excluding currency effects, from 2Q08
- Decline driven by low customer appetite for investment-oriented products, de-risking VAs in the US and slowdown SPVAs in Japan

## VALUE OF NEW BUSINESS (IN EUR MILLION)



- VNB down 36.6% on 2Q08, but up 24.2% on 1Q09 on higher margins
- Decline on 2Q08 primarily due to lower sales and margins

# INSURANCE

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE

INSURANCE

EUROPE | AMERICAS | ASIA/PACIFIC | CORPORATE LINE

## CONSOLIDATED RESULTS

Insurance: Key Figures								
In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Gross premium income	7,269	9,360	-22.3%	8,914	-18.5%	16,183	20,104	-19.5%
Commission income	496	485	2.3%	475	4.4%	971	980	-0.9%
Direct investment income	2,184	2,084	4.8%	2,036	7.3%	4,220	4,320	-2.3%
Realised gains and fair value changes on inv.	-2,584	-210	n.a.	-250	n.a.	-2,834	411	-789.5%
Total investment and other income	-400	1,874	-121.3%	1,786	-122.4%	1,386	4,732	-70.7%
<b>Total underlying income</b>	<b>7,365</b>	<b>11,719</b>	<b>-37.2%</b>	<b>11,175</b>	<b>-34.1%</b>	<b>18,540</b>	<b>25,816</b>	<b>-28.2%</b>
Underwriting expenditure	5,816	9,312	-37.5%	10,822	-46.3%	16,638	21,297	-21.9%
Operating expenses	993	1,068	-7.0%	1,032	-3.8%	2,024	2,159	-6.3%
Other interest expenses	259	279	-7.2%	282	-8.2%	542	598	-9.4%
Other impairments	18	17	5.9%	18	0.0%	36	31	16.1%
<b>Total underlying expenditure</b>	<b>7,087</b>	<b>10,677</b>	<b>-33.6%</b>	<b>12,154</b>	<b>-41.7%</b>	<b>19,241</b>	<b>24,084</b>	<b>-20.1%</b>
<b>Underlying result before tax</b>	<b>278</b>	<b>1,043</b>	<b>-73.3%</b>	<b>-979</b>	<b>n.a.</b>	<b>-701</b>	<b>1,732</b>	<b>-140.5%</b>
of which result before tax life insurance	228	969	-76.5%	-995	n.a.	-768	1,495	-151.4%
of which result before tax non-life insurance	51	73	-30.1%	16	218.8%	67	237	-71.7%
Taxation	22	53	-58.5%	-158	n.a.	-137	160	-185.6%
Minority interests	3	1	200.0%	3	0.0%	6	8	-25.0%
<b>Underlying net result</b>	<b>254</b>	<b>989</b>	<b>-74.3%</b>	<b>-824</b>	<b>n.a.</b>	<b>-570</b>	<b>1,563</b>	<b>-136.5%</b>
Net gains/losses on divestments	8	2		-56		-48	47	
Net result from divested units	-6	60		5		-1	84	
Special items after tax	-68	-		-268		-336	-	
<b>Net result</b>	<b>189</b>	<b>1,051</b>	<b>-82.0%</b>	<b>-1,143</b>	<b>n.a.</b>	<b>-955</b>	<b>1,694</b>	<b>-156.4%</b>
<b>Client balances (in billion)</b>								
Beginning of period	378.0	428.0	-11.7%	381.9	-1.0%	381.9	437.8	-12.8%
Deposits	24.9	34.8	-28.4%	22.4	11.2%	47.3	70.6	-33.0%
Withdrawals/Benefits	-27.5	-32.6	n.a.	-23.8	n.a.	-51.3	-61.7	n.a.
<b>Net production</b>	<b>-2.6</b>	<b>2.2</b>	<b>-218.2%</b>	<b>-1.4</b>	<b>n.a.</b>	<b>-4.0</b>	<b>8.9</b>	<b>-144.9%</b>
Acquisition/divestments/transfers	-0.0	0.0	n.a.	-0.0	n.a.	-0.1	9.9	-101.0%
Market performance/Interest credited	22.4	-4.6	n.a.	-6.4	n.a.	15.9	-18.8	n.a.
Fx impact and other	-6.3	-2.1	n.a.	3.9	-261.5%	-2.5	-14.3	n.a.
<b>End of period</b>	<b>391.4</b>	<b>423.5</b>	<b>-7.6%</b>	<b>378.0</b>	<b>3.5%</b>	<b>391.4</b>	<b>423.5</b>	<b>-7.6%</b>
<b>New Business</b>								
Value of new life business	149	235	-36.6%	120	24.2%	269	517	-48.0%
Internal rate of return (YTD)				11.7%		12.7%	14.8%	
Single premiums	3,663	7,046	-48.0%	3,977	-7.9%	7,640	13,649	-44.0%
Annual premiums	741	869	-14.7%	878	-15.6%	1,619	1,968	-17.7%
New sales (APE)	1,107	1,574	-29.7%	1,276	-13.2%	2,383	3,333	-28.5%
<b>Other key figures</b>								
Tax ratio	7.8%	5.1%		16.2%		19.5%	9.3%	
Staff (FTEs end of period)	39,064	42,046	-7.1%	40,340	-3.2%	39,064	42,046	-7.1%

- Underlying profit before tax of EUR 278 million versus a first quarter loss
- Result negatively impacted by fair value changes on equity derivatives and real estate revaluations
- VNB down 37% primarily on lower sales

### Business update

Gains in equity markets and narrower credit spreads contributed to an improvement in Insurance results during the second quarter.

Insurance continued to focus on active de-risking. Hedges were monitored and kept in place to hedge direct equity investments and protect regulatory capital. In the US, a new de-risked variable annuity product has been developed. In Japan, SPVA product sales were stopped on 31 July, leading to a headcount reduction of 200 above and beyond the staff reduction announced in January of this year.



Client balances for unit-linked products grew as a consequence of rising equity markets. This had a positive impact on DAC unlocking in the US of EUR 176 million, as higher client balances lead to higher future fee income and lower future benefit payments.

Conversely, the uptick in equity markets resulted in EUR -417 million in fair value changes related to the EUR 3.9 billion portfolio notional of equity hedges in place to hedge direct equity exposure. In addition, the EUR 5.0 billion notional of equity hedges in place to hedge the indirect equity exposure related to US variable annuities resulted in a EUR 346 million hedge loss.

Despite the rally in equity markets, sales of investment products did not recover, with overall sales 29.7% lower than a year ago. This decline largely reflects actions taken to reprice and reduce risk in the US variable annuity products and the decision to stop variable annuity sales in Japan.

Consumers continue to show a preference for products with less equity risk. This led to higher term life sales and fixed annuity sales in the US.

Client balances grew by EUR 13.4 billion, reflecting the positive impact of the equity markets on unit-linked balances. Net production of client balances was EUR -2.6 billion. Currency effects had a EUR -6.0 billion impact on client balances in the second quarter of 2009.

As part of ING's ongoing cost-containment programme, from September 2008 to the end of June, ING Insurance reduced the number of full-time positions by 5,134, exceeding the 2009 year-end target of 4,200.

On 7 May, ING sold the Annuity business in Argentina, with a net impact of the divestment and the net result of EUR 2 million for the second quarter. The pension business in Argentina is in the process of liquidation following the nationalisation in the fourth quarter of 2008.

On 31 July, ING announced the sale of the Annuity and Mortgage businesses in Chile. Terms of the agreement were not disclosed. The sale does not impact ING's Pension, Life Insurance, and Investment Management businesses in Chile.

## Financial update

### Total underlying income

Gross premium income was down 22.3%, or 28.3% excluding currency effects, due to lower sales, most notably in the US and Asia/Pacific, where actions were taken to reduce variable annuity sales. In Europe, sales declined 6.4%, or 0.4% excluding currency effects, with higher group pension sales in the Netherlands and variable annuity sales in Belgium offset by lower life sales in Central & Rest of Europe.

Commission income increased 2.3%, or 1.0% on a constant currency basis, following increases in Europe and the Americas, as the inclusion of CitiStreet more than offset the impact of lower asset balances in the US.

Investment and other income dropped 121.3%, mainly as a result of negative fair value changes on equity derivatives (largely offset in underwriting expenditure), lower capital gains on equity securities (net of impairments) and negative revaluations on real estate investments.

### Underwriting expenditure

Underwriting expenditure fell 37.5% from the second quarter of 2008 and 46.3% from the first quarter of 2009 as the recovery in the equity markets translated into lower provisioning and DAC amortisation on variable annuities in the US and Japan. Improving markets also resulted in lower provisions for guarantees on separate account pension contracts in the Netherlands, which helped drive down the underwriting expenditure. In addition, lower Gross premium income resulted in a smaller increase to technical provisions in the second quarter of 2009.

### Operating expenses

Operating expenses fell 7.0%, and 11.4% excluding the impact of currency movements and CitiStreet. All business lines contributed to this decline through cost-containment measures. Also, sales-related expenses were down on lower production. Compared with the first quarter of 2009, expenses decreased 3.8%, driven by a decline in Europe.

### Underlying result before tax

Insurance recorded an underlying profit before tax of EUR 278 million versus a profit of EUR 1,043 million in the same period last year. The second-quarter result was mainly under pressure from

negative fair value changes on equity derivatives reflecting improved equity markets during the quarter, as well as negative revaluations on real estate investments.

Compared with the first quarter of 2009, the underlying result before tax improved by EUR 1,257 million due to a lower negative impact from market volatility, higher underwriting results (helped by one-off technical provision releases), dividend income - which is typically higher in the second quarter of the year - as well as a positive swing in DAC unlocking.

Insurance had capital gains of EUR 71 million and recorded impairments of EUR 57 million on equity securities, while fair value changes of derivatives used to hedge ING's equity portfolio resulted in a loss of EUR 417 million. This is offset in Shareholders' Equity by a corresponding gain on the Revaluation reserve equity securities. In the second quarter of 2008, capital gains on equity securities net of impairments totalled EUR 407 million; positive fair value changes on equity hedges were EUR 75 million.

Impairments on debt securities were EUR 59 million. This was more than compensated by positive fair value changes on CDO/CLO of EUR 85 million. By comparison, in the second quarter of 2008 impairments on debt securities were EUR 60 million, while negative fair value changes on CDO/CLO were EUR 6 million.

Negative revaluations on real estate investments were EUR 91 million compared with EUR 40 million in the second quarter of 2008. Revaluations net of impairments on private equity and alternative assets resulted in a gain of EUR 21 million compared to a loss of EUR 24 million in the previous-year quarter. In the first quarter of 2009, negative revaluations of real estate investments were EUR 179 million, whereas private equity and alternative investments had negative revaluations and impairments of EUR 145 million.

Deferred acquisition cost (DAC) unlocking had a positive impact of EUR 176 million in the US. However, this was more than offset by EUR 346 million in negative fair value changes on equity hedges to protect regulatory capital. During the same quarter last year, DAC unlocking was a positive EUR 32 million. In the first quarter of 2009, negative DAC unlocking was EUR 616

million, which was in part compensated by EUR 66 million positive fair value changes on equity hedges.

In Japan, the SPVA business recorded a profit of EUR 88 million due to gains on hedges. By comparison, in the year-ago quarter Japan's SPVA business recorded a profit of EUR 13 million, while the first quarter of 2009 saw a loss of EUR 191 million. SPVA sales in Japan will be discontinued from 31 July 2009.

In the Netherlands, results were positively impacted by a EUR 82 million contribution from the provision for guarantees on separate-account pension contracts (net of hedging). This compares to a contribution of EUR 2 million in the second quarter of 2008, and a deterioration of EUR 164 million in the first quarter of 2009.

Insurance's total net profit in the second quarter was EUR 189 million. This includes EUR 47 million in reorganisation expenses (after tax) related to the expense-reduction programme announced earlier this year and EUR 21 million reorganisation expenses (after tax) related to the run-off of the SPVA business in Japan.

## New business

New sales (APE) declined 29.7%, or 33.2% on a constant currency basis, due to lower sales in the US and Asia/Pacific as a consequence of lower demand for investment-oriented products. New sales in Europe were flat as lower sales in Central & Rest of Europe were offset by higher sales in the Benelux.

The value of new business (VNB) declined 36.6%. This was caused by lower sales and margins, especially on variable annuity products due to higher expected cost of benefit guarantees related to lower interest rates and higher volatility than in the second quarter of 2008.

## CONSOLIDATED BALANCE SHEET

### ING Verzekeringen N.V. : Consolidated balance sheet

in EUR million	30 June 09	31 Mar. 09		30 June 09	31 Mar. 09
<b>Assets</b>			<b>Equity</b>		
Cash and balances with central banks	11,245	11,426	Shareholders' equity	12,203	10,451
Financial assets at fair value through P&L	106,231	101,072	Minority interests	74	74
- trading assets	443	416	<b>Total equity</b>	<b>12,277</b>	<b>10,525</b>
- non-trading derivatives	3,392	5,422	<b>Liabilities</b>		
- investments for risk of policyholders	99,900	92,702	Subordinated loans	6,868	7,101
- other	2,497	2,532	Debt securities in issue	4,094	4,132
Investments	101,624	106,350	Other borrowed funds	9,555	11,822
- debt securities available-for-sale	96,472	101,248	Insurance and investment contracts	238,015	236,386
- equity securities available-for-sale	5,152	5,102	- life insurance provisions	126,428	130,390
Loans and advances to customers	30,924	30,423	- non-life insurance provisions	3,909	4,001
Reinsurance contracts	5,656	5,729	- provision for risk of policyholders	100,470	93,269
Investments in associates	2,567	2,539	- other	7,208	8,725
Real estate investments	1,140	1,128	Financial liabilities at fair value through P&L	3,547	4,617
Property and equipment	592	629	- non-trading derivatives	3,547	4,617
Intangible assets	4,384	4,614	Other liabilities	12,686	14,515
Deferred acquisition costs	11,393	11,615	<b>Total liabilities</b>	<b>274,764</b>	<b>278,573</b>
Other assets	11,285	13,575			
<b>Total assets</b>	<b>287,041</b>	<b>289,098</b>	<b>Total equity and liabilities</b>	<b>287,041</b>	<b>289,098</b>

- **Total assets decrease 1% to EUR 287 billion**
- **Investment for risk of policyholders increase by EUR 7.2 billion**
- **Shareholders' equity increases by EUR 1.8 billion driven by positive revaluations of investments**

#### Assets

Financial assets at fair value through the P&L increased by EUR 5.1 billion to EUR 106.2 billion in the second quarter. This was caused entirely by increased investments for risk of policyholders due to positive revaluations.

ING Verzekeringen N.V.'s investment portfolio declined by EUR 4.7 billion in the quarter, following reclassification of EUR 6.1 billion of Asset Backed Securities from Investments to Loans and Advances. The increase in Loans and advances was only EUR 0.5 billion as the reclassification was largely offset by lower deposits (EUR -3.8 billion), currency differences (EUR -0.6 billion) and other changes.

#### Shareholders' equity

Shareholders' equity of ING Verzekeringen N.V. increased by EUR 1.8 billion, to EUR 12.3 billion. Positive revaluations on equity securities of EUR 0.4 billion (with a EUR 0.3 billion offset reflected in fair value changes on equity derivatives) and EUR 0.3 billion on debt securities contributed to the

increase. Partially offsetting these factors were negative revaluations on cash flow hedges (EUR 0.6 billion), deferred profit-sharing for life policyholders (EUR 0.9 billion) and negative exchange rate differences (EUR 0.5 billion).

At the end of March 2009, ING Verzekeringen N.V. had a negative revaluation reserve associated with debt securities of EUR -9.5 billion, mainly due to deteriorated market prices on the asset-backed security portfolio. The unrealised revaluation reserve of debt securities improved by EUR 3.3 billion to EUR -6.2 billion in the second quarter of 2009.

#### Liabilities

Other borrowed funds declined by EUR 2.3 billion to EUR 9.6 billion in the second quarter, mainly as a result of less collateral deposits received relating to derivatives.

Insurance and investment contracts were up EUR 1.6 billion to EUR 238.0 billion in the second quarter. The increase was mainly caused by the provision for risk of policyholders which increased EUR 7.2 billion, offset by a decrease in the life insurance provisions of EUR 4.0 billion, mainly caused by exchange rate differences.

# INSURANCE INSURANCE EUROPE

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE | **INSURANCE** | EUROPE | AMERICAS | ASIA/PACIFIC | CORPORATE LINE

## Insurance Europe: Key figures

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Gross premium income	2,166	2,366	-8.5%	2,951	-26.6%	5,117	5,635	-9.2%
Commission income	121	127	-4.7%	107	13.1%	228	250	-8.8%
Direct investment income	863	1,083	-20.3%	916	-5.8%	1,779	2,027	-12.2%
Realised gains and fair value changes on inv.	-659	-44	n.a.	-8	n.a.	-667	26	n.a.
Total investment and other income	204	1,039	-80.4%	908	-77.5%	1,112	2,053	-45.8%
<b>Total underlying income</b>	<b>2,491</b>	<b>3,532</b>	<b>-29.5%</b>	<b>3,966</b>	<b>-37.2%</b>	<b>6,457</b>	<b>7,938</b>	<b>-18.7%</b>
Underwriting expenditure	1,918	2,581	-25.7%	3,525	-45.6%	5,443	6,115	-11.0%
Operating expenses	359	451	-20.4%	400	-10.3%	759	867	-12.5%
Other interest expenses	81	100	-19.0%	116	-30.2%	197	217	-9.2%
Other impairments	0	3	-100.0%	0	n.a.	0	3	-100.0%
<b>Total underlying expenditure</b>	<b>2,358</b>	<b>3,135</b>	<b>-24.8%</b>	<b>4,041</b>	<b>-41.6%</b>	<b>6,399</b>	<b>7,202</b>	<b>-11.1%</b>
<b>Underlying result before tax</b>	<b>134</b>	<b>397</b>	<b>-66.2%</b>	<b>-75</b>	<b>n.a.</b>	<b>58</b>	<b>736</b>	<b>-92.1%</b>
<b>New Business</b>								
Value of new life business	55	89	-38.2%	49	12.2%	104	213	-51.2%
Internal rate of return (YTD)				14.8%		16.1%	18.1%	
Single premiums	621	765	-18.8%	708	-12.3%	1,329	1,691	-21.4%
Annual premiums	172	174	-1.1%	137	25.5%	310	352	-11.9%
New sales (APE)	234	250	-6.4%	208	12.5%	442	521	-15.2%
<b>Other key figures</b>								
Staff (FTEs end of period)	13,704	14,297	-4.1%	14,170	-3.3%	13,704	14,297	-4.1%

- **Underlying result before tax turns positive**
- **Equity hedges weigh on results as equity markets recover**
- **Operating expenses down significantly**

### Business update

The severe economic environment continued to adversely affect the financial performance of Insurance Europe in the second quarter despite a rebound in equity markets and narrower credit spreads. On the positive side, however, measures to de-risk the balance sheet and reduced credit spreads contributed to an improvement in Insurance Europe's capital position. As a result, EUR 630 million in capital was upstreamed to ING Verzekeringen N.V. during the quarter.

Two initiatives aimed at improving the performance of Insurance Europe were recently announced. The first, announced on July 1, is to combine Nationale-Nederlanden, RVS and ING Insurance Retail (formerly Postbank Insurance) into one organisation under the Nationale-Nederlanden brand. The full integration will take place over the next three years. A positive impact on results is expected starting 2010, building to an estimated EUR 100 million annual pre-tax benefit from 2013. A reduction of approximately 800 positions is expected over the coming three years. In the first four years, an estimated EUR 165 million will be invested to complete the integration.

The second initiative concerns ING Central & Rest of Europe, which is creating a single operating model throughout the region as part of its Vision for Growth strategic change programme, which commenced last year. The first elements are now being rolled out. All projects are aimed at creating standardised, streamlined and more efficient processes and IT systems. The resulting efficiency gains and increased scale will reduce the expense per policy.

In line with ING's strategy of focusing on its core businesses, in April ING announced an agreement with Aviva, a UK-based insurer, to sell its non-state pension fund in Russia for EUR 5 million. The transaction closed in mid-May. In June, ING Greece announced it is withdrawing from underwriting new health insurance risks to focus on its core business of life insurance and retirement services. However, since health insurance often provides the lead for sales of other types of insurance, including life insurance, ING Greece will continue to distribute health products manufactured by a third-party provider.

### Financial update

#### Total underlying income

Gross premium income declined by EUR 200 million, or 8.5%, compared with the same quarter last year. EUR 137 million of this decrease is

# INSURANCE INSURANCE EUROPE

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE | **INSURANCE** | EUROPE | AMERICAS | ASIA/PACIFIC | CORPORATE LINE

## Insurance Europe: Key figures

In EUR million	Benelux Life		Benelux Non-Life		Central and Rest of Europe	
	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008
Gross premium income	1,349	1,432	331	311	486	623
Total investment and other income	109	867	17	59	79	112
Operating expenses	194	238	98	125	66	88
<b>Underlying result before tax</b>	<b>19</b>	<b>261</b>	<b>30</b>	<b>47</b>	<b>85</b>	<b>89</b>
<b>New Business</b>						
Value of new life business	16	27			40	63
Internal rate of return (YTD)	10.7%	12.6%			24.7%	24.4%
Single premiums	487	453			134	312
Annual premiums	88	69			84	105
New sales (APE)	137	114			98	136

attributable to Central & Rest of Europe, where economic conditions weighed heavily on single premium sales in the Czech Republic, Hungary and Greece. Currency effects reduced premium income by EUR 47 million. In the Netherlands, life premium income declined by EUR 111 million, with premiums in the individual and corporate pension business adversely affected by lower indexation and lower profit-sharing. The decline in premium income in the Netherlands and Central Europe was partly offset by a EUR 29 million increase in Belgium's life premiums thanks to EUR 53 million in single premiums from the variable annuity product launched last February.

Non-life premiums in Europe were up 6.4%, or EUR 20 million, over the second quarter of 2008. This increase was fuelled by the recently initiated distribution of group disability products through mandated brokers in the Netherlands.

Total investment and other income was EUR 835 million, or 80.4%, lower than in the same quarter of last year. This decline is largely due to recovering equity markets and steepening yield curves, which resulted in EUR 529 million negative revaluations of non-trading derivatives, compared to positive revaluations of EUR 8 million in the second quarter of 2008 and EUR 205 million in the first quarter of

2009. These derivatives are mainly equity index options to hedge ING's equity investments, as well as derivatives to hedge the guarantees on separate account pension contracts.

Negative revaluations on real estate investments amounted to EUR 92 million for the quarter, a deterioration of EUR 41 million compared with the same period last year. Direct investment income was impacted by EUR 175 million lower dividend income, which ensued from de-risking activities and the unfavourable economic climate prompting several companies to reduce or suspend their dividend payments. Income from fixed income investments declined by EUR 60 million to EUR 599 million. This was mainly due to lower new money rates on government bond investments.

### Operating expenses

Operating expenses fell by EUR 92 million, or 20.4%, compared with the second quarter of 2008. The ongoing cost-containment efforts, which impacted salaries, third-party staff, marketing and consultancy expenses, are the primary reasons for this reduction. A change in the allocation of group overhead caused EUR 15 million in lower operating expenses of Insurance Europe, with an offset in the Corporate Line Insurance. Furthermore, in the Netherlands, EUR 12 million was released from employee benefits provisions in the second quarter of 2009. Not included in the second-quarter operating expenses is an after tax amount of EUR 33 million that was set aside for the restructuring programmes announced in the first quarter and added to the reorganisation provision. This is reflected in Special items after tax.

### CLIENT BALANCES 2Q2009 - INSURANCE EUROPE (EUR billion)

Beginning of period	119.8
Net production	-0.1
Acquisitions/divestments	0
Market performance	5.0
FX impact / Other	0.9
End of period	125.5

## Underlying result before tax

Insurance Europe posted an underlying profit before tax of EUR 134 million, down EUR 263 million from the second quarter of 2008. This was primarily caused by EUR 213 million in negative revaluations on equity index options to hedge equity investments and a EUR 220 million decline in direct investment income (primarily due to lower dividend income). This decline was in turn partly offset by a EUR 82 million contribution related to the provision for guarantees on separate account pension contracts (net of hedging) and EUR 92 million in lower operating expenses.

## Life insurance Benelux

The life insurance operations in the Benelux reported an underlying profit before tax of EUR 19 million compared with EUR 261 million a year ago. This sharp deterioration was mainly due to the negative revaluations on equity index options to hedge equity investments and EUR 161 million lower dividend income. Negative revaluations on real estate rose to EUR 86 million compared with EUR 47 million a year ago. This was partly compensated by EUR 38 million in positive revaluations on private equity (an improvement of EUR 44 million from a year ago), a EUR 82 million contribution from the provision for guarantees on separate account pension contracts (net of hedging) and EUR 44 million lower operating expenses.

## Non-Life insurance Benelux

The underlying profit before tax from non-life Insurance in the Benelux was EUR 30 million, a drop of EUR 17 million compared with the same quarter last year. This decline was due to EUR 42 million in lower investment and other income, which is primarily attributable to lower dividends and negative revaluations on non-trading derivatives. The dip in investment income was partly offset by EUR 27 million in lower operating expenses.

## Central & Rest of Europe

The underlying profit before tax in Central & Rest of Europe declined by EUR 4 million to EUR 85 million. Investment income fell by EUR 32 million, mainly due to negative fair value changes on derivatives and bond losses. Largely offsetting this decline was a decrease of EUR 22 million in operating expenses. About half of this decrease was due to cost-containment initiatives (lower salaries following staff reductions), while the other half was due to currency effects and an accrual release in Russia.

## New business

Life sales (APE) in Insurance Europe amounted to EUR 234 million, EUR 16 million, or 6.4%, lower than last year. On a constant currency basis, however, sales were basically flat. APE in the Netherlands increased by EUR 18 million to EUR 103 million due to higher sales in the group pension business after the renewal of a group contract. In Belgium, life sales rose by EUR 4 million to EUR 33 million following the introduction of a variable annuity product in February. Central & Rest of Europe saw its sales drop by EUR 38 million to EUR 98 million, despite the contribution of EUR 6 million APE from the recently acquired Turkish pension fund. Negative currency effects in Central Europe explain EUR 15 million of the APE decrease. However, significantly lower life sales were reported in the Czech Republic, Hungary, Poland and Romania, especially in the single premium segment as investment-oriented products continue to be out of favour with consumers.

The value of new business (VNB) of Insurance Europe declined to EUR 55 million from EUR 89 million a year ago. In the Netherlands, VNB decreased by EUR 11 million to EUR 12 million, due to assumption changes and after lower retail sales by all Dutch business units resulted in acquisition expense overruns. With the exception of Greece, all countries in Central & Rest of Europe reported lower VNB than last year, in line with lower sales. Lower exchange rates for Central European currencies contributed EUR 6 million to this decline; higher assumed discount rates contributed EUR 8 million. The ongoing shift in the product mix from single to annual premium business improved profit margins in the life business. However, in the Central European pension business, profit margins were under pressure due to changes in the fee structure, which have been partly triggered by changes in local legislation.



## Insurance Americas: Key figures

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Gross premium income	3,413	4,762	-28.3%	3,991	-14.5%	7,403	9,777	-24.3%
Commission income	300	271	10.7%	305	-1.6%	604	549	10.0%
Direct investment income	1,005	847	18.7%	1,038	-3.2%	2,043	1,989	2.7%
Realised gains and fair value changes on inv.	-1,197	-185	n.a.	-169	n.a.	-1,366	-261	n.a.
Total investment and other income	-191	661	-128.9%	868	-122.0%	677	1,728	-60.8%
<b>Total underlying income</b>	<b>3,521</b>	<b>5,695</b>	<b>-38.2%</b>	<b>5,164</b>	<b>-31.8%</b>	<b>8,684</b>	<b>12,054</b>	<b>-28.0%</b>
Underwriting expenditure	2,786	5,009	-44.4%	5,183	-46.2%	7,969	10,654	-25.2%
Operating expenses	424	404	5.0%	413	2.7%	836	823	1.6%
Other interest expenses	55	22	150.0%	78	-29.5%	133	106	25.5%
Other impairments	-0	0	n.a.	-	n.a.	-0	-	n.a.
<b>Total underlying expenditure</b>	<b>3,265</b>	<b>5,435</b>	<b>-39.9%</b>	<b>5,673</b>	<b>-42.4%</b>	<b>8,938</b>	<b>11,583</b>	<b>-22.8%</b>
<b>Underlying result before tax</b>	<b>256</b>	<b>260</b>	<b>-1.5%</b>	<b>-510</b>	<b>n.a.</b>	<b>-254</b>	<b>471</b>	<b>-153.9%</b>
<b>New Business</b>								
Value of new life business	55	84	-34.5%	38	44.7%	93	175	-46.9%
Internal rate of return (YTD)				10.5%		11.4%	13.5%	
Single premiums	2,015	4,668	-56.8%	2,434	-17.2%	4,448	8,637	-48.5%
Annual premiums	345	386	-10.6%	497	-30.6%	842	918	-8.3%
New sales (APE)	547	853	-35.9%	740	-26.1%	1,287	1,781	-27.7%
<b>Other key figures</b>								
Staff (FTEs end of period)	17,030	18,946	-10.1%	17,485	-2.6%	17,030	18,946	-10.1%

- **Insurance Americas returns to profitability**
- **Expenses decline 5.6% excluding currency effects**
- **Due to weak demand, sales still under pressure, but VNB improve 45% from 1Q09**

### Business update

Economic and market conditions improved in the second quarter as the S&P 500 rose 15% and the average 10-year Treasury rate increased by 58 basis points from the first quarter of 2009. This fuelled Insurance Americas' improved earnings, but sales of equity-related products remained weak as customers appeared to be waiting for a more prolonged period of recovery before buying.

Sales of Retirement Services (corporate 401(k), education and IRA) declined 26.4% compared with the second quarter of 2008. Variable annuity sales plunged, yet net flows in these two product lines remained positive at EUR 312 million. Conversely, sales of products with no equity risk grew strongly. Sales of term life insurance in the US grew 29.4% from the prior-year quarter. Fixed annuity sales were up 50.1%.

Latin America posted another strong quarter, primarily due to continued growth in fee income in the mandatory pension businesses and better investment returns, which have benefited from the recent market recovery.

Gross credit-related losses of EUR 73 million were 15% higher than the second quarter of 2008, but less than half the level in the first quarter of 2009.

Insurance Americas embraced the Back to Basics programme, reducing staff positions and continuing its de-risking activities. This includes plans for a new de-risked variable annuity product in the US that will reduce the impact of volatility on capital with a better risk profile. During the quarter, ING held a hedge position of EUR 5 billion notional to mitigate the adverse impact of declining equity markets. Given the improvement in the S&P 500 during the quarter, the hedge position reduced Insurance Americas' underlying result before tax by EUR 346 million. During the first quarter of 2009, when the S&P declined by more than 11%, the hedge position added EUR 66 million to the result.

Client balances increased by EUR 3.7 billion due to the market performance, which contributed EUR 12.3 billion. This was partially offset by currency effects, which reduced client balances by EUR 7.8 billion. Net production was EUR -0.8 billion.

On 7 May, ING sold the Annuity business in Argentina. The pension business is in the process of liquidation following nationalisation.



## Insurance Americas: Key figures

In EUR million	United States		Latin America	
	2Q2009	2Q2008	2Q2009	2Q2008
Gross premium income	3,342	4,649	70	113
Total investment and other income	-300	550	108	111
Operating expenses	375	345	49	59
<b>Underlying result before tax</b>	<b>176</b>	<b>201</b>	<b>80</b>	<b>58</b>
<b>New Business</b>				
Value of new life business	42	57	13	27
Internal rate of return (IRR)	10.8%	12.5%	16.6%	19.6%
Single premiums	1,715	4,604	300	64
Annual premiums	269	269	76	118
New sales (APE)	441	729	106	124

On 31 July, ING announced the sale of the Annuity and Mortgage business in Chile. The transaction is expected to close in the fourth quarter of 2009.

## Financial update

### Total underlying income

Gross premium income declined 28.3%, or 37.0% excluding currency effects, reflecting substantially lower variable annuity sales. In the US, gross premiums were down 37.0% excluding currencies. Variable annuity sales dropped 75.3% in response to management actions taken to de-risk the variable annuity products as well as consumers' continued delay to move back into equity products. In Latin America, gross premiums declined 35.2%, excluding currency effects, due to a decline in annuity sales in Chile.

Total investment and other income was down EUR 0.9 billion from the second quarter of 2008 due to realised gains and fair value changes of EUR -1.2 billion compared to EUR -185 million in the second quarter of 2008. The current quarter results were driven by the losses on the EUR 5.0 billion notional short-term equity hedge and on the long-term hedges related to variable annuity guarantees, which resulted from the 15% increase in the S&P 500 index during the quarter. These losses are largely offset by favourable developments in the variable annuity guaranteed benefit reserves, DAC

amortisation and DAC unlocking, which are reflected in the total underwriting expenditure.

### Operating expenses

Operating expenses increased 5.0%, but declined 5.6% excluding currency effects. US expenses were down 4.8% compared with the second quarter of 2008, while Latin America posted a 10.9% decline. Second-quarter 2009 expenses include expenses from CitiStreet (now known as ING Institutional Plan Services), which ING acquired in July 2008. Excluding these expenses and currency effects, operating expenses fell 19%, reflecting lower staff costs throughout the region, a decline in variable incentive compensation and lower integration expenses in Latin America. Headcount was down by 455 FTEs in the quarter, bringing the total FTE reduction to 3,746 positions out of an announced reduction of 2,400.

### Underlying result before tax

Economic and market conditions improved during the quarter, with Insurance Americas delivering underlying profit before tax of EUR 256 million – an improvement from the loss reported in the first quarter of 2009, but still below the second quarter of 2008. Excluding the loss during the quarter on the short-term equity hedge of EUR 346 million, results increased to EUR 602 million.

### United States

The underlying profit before tax in the US was EUR 176 million, down 12.4% (or 23.5% excluding currency effects) from the second quarter 2008, a significant increase from the first quarter of 2009. Excluding the loss on the short-term equity hedge, results more than doubled from the second quarter of 2008, as positive DAC unlocking of EUR 176 million and investment gains of EUR 83 million (both improvements from the year-earlier quarter) helped mitigate lower fee income and investment margins.

Investment gains for the quarter were EUR 83 million before DAC (compared to investment losses of EUR 160 million in the second quarter of 2008), which includes EUR 156 million of interest/spread-related gains as well as EUR 73 million of impairments and credit-related losses on disposals. EUR 33 million of the losses in the second quarter was related to Alt-A and subprime securities. An additional EUR 18 million related to disposals on CMBS securities, while the remaining EUR 22 million was spread across multiple issuers and industries.

## CLIENT BALANCES 2Q2009 - INSURANCE AMERICAS (EUR billion)

Beginning of period	176.8
Net production	-0.8
Acquisitions/divestments	0
Market performance	12.3
FX impact / Other	-7.8
End of period	180.5

Despite the uptick in equity markets during the quarter, net asset-based fee income still declined by EUR 125 million on a pre-DAC basis, reflecting the combination of lower AUM levels and higher guaranteed benefit costs, which in turn were partially offset by asset-based fee income from Institutional Plan Services. Historically, guaranteed benefit costs have been a relatively stable offset to fee income; however, in the second half of 2008 guaranteed benefit costs increased significantly. In variable annuity, such costs were down from their historic high in the first quarter of 2009, but they remained elevated at 250 basis points of average levels of equity AUM, up from 89 basis points in the second quarter of 2008.

Results in Retirement Services were essentially flat at EUR 128 million, excluding the equity hedge loss. The following two factors helped to offset the decline in fee income and lower alternative asset income: positive equity-related DAC unlocking (reflecting separate account fund performance of 15.3% for the quarter) and lower operating expenses.

In annuities, results more than doubled to EUR 230 million, excluding the equity hedge loss, as the rebound in equity markets resulted in positive DAC unlocking. Asset-based fee income continued to come under pressure from higher guaranteed benefit costs and a 21.9% decline in AUM levels from the same quarter last year.

In the Insurance segment, profit rose 31.4% as lower operating expenses and better claims experience helped overcome lower alternative asset returns.

In Asset Management, results swung to a loss due to lower investment margins, including private equity losses and lower asset-based fee income.

## Latin America

Underlying profit before tax improved 37.9%, or 45.5% excluding currency effects, to EUR 80 million. The increase reflected better equity market returns, improved pension fee income and lower integration costs. Equity markets in Latin America rebounded during the quarter. This drove the EUR 21 million improvement on the legally-required investment in the pension business, particularly in Mexico and Chile. Pension fee income rose 8% during the quarter thanks to growth in the deposit and AUM base. Lower integration expenses

contributed to a EUR 6 million decline in operating expenses.

## New business

The value of new business (VNB) declined 34.5%, or 39.6% excluding currency effects, due to lower margins and sales in the US and lower production in Latin America.

In the US, VNB was down 36.4% excluding currency effects, mainly due to the impact of lower equity-related product sales in retirement services and variable annuity as well as the strategic decision to stop spread-lending product sales. Additionally, lower interest rates and continued equity market volatility resulted in lower margins in variable annuity, where overall VNB declined by EUR 18 million. Improved margins in fixed annuity and higher demand for fixed rate products helped to partially compensate for the decline.

In Latin America, VNB declined 48% excluding currency effects, to EUR 13 million, as less aggressive commercial activity and subsequent reduction in the agent sales force suppressed sales in Mexico and Peru. However, a higher quality of sales partially mitigate this decline.

The internal rate of return (IRR) in the Americas declined by 210 basis points to 11.4%. This was driven by the US as market impacts and capital requirements continued to depress variable annuity returns. Returns in Latin America declined by 300 basis points due to lower sales and a higher expense gap.

# INSURANCE INSURANCE ASIA/PACIFIC

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE | **INSURANCE** | EUROPE | AMERICAS | **ASIA/PACIFIC** | CORPORATE LINE

## Insurance Asia/Pacific: Key figures

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Gross premium income	1,684	2,227	-24.4%	1,964	-14.3%	3,648	4,675	-22.0%
Commission income	73	86	-15.1%	62	17.7%	136	180	-24.4%
Direct investment income	361	350	3.1%	491	-26.5%	852	632	34.8%
Realised gains and fair value changes on inv.	-398	-462	n.a.	-134	n.a.	-533	52	n.a.
Total investment and other income	-38	-112	n.a.	357	-110.6%	320	684	-53.2%
<b>Total underlying income</b>	<b>1,720</b>	<b>2,201</b>	<b>-21.9%</b>	<b>2,383</b>	<b>-27.8%</b>	<b>4,103</b>	<b>5,538</b>	<b>-25.9%</b>
Underwriting expenditure	1,104	1,725	-36.0%	2,106	-47.6%	3,210	4,527	-29.1%
Operating expenses	186	208	-10.6%	185	0.5%	371	438	-15.3%
Other interest expenses	229	144	59.0%	241	-5.0%	470	266	76.7%
Other impairments	0	-0	n.a.	0	n.a.	0	-0	n.a.
<b>Total underlying expenditure</b>	<b>1,519</b>	<b>2,077</b>	<b>-26.9%</b>	<b>2,532</b>	<b>-40.0%</b>	<b>4,051</b>	<b>5,232</b>	<b>-22.6%</b>
<b>Underlying result before tax</b>	<b>201</b>	<b>124</b>	<b>62.1%</b>	<b>-149</b>	<b>n.a.</b>	<b>51</b>	<b>306</b>	<b>-83.3%</b>
<b>New Business</b>								
Value of new life business	39	61	-36.1%	32	21.9%	71	130	-45.4%
Internal rate of return (YTD)				12.2%		12.9%	15.0%	
Single premiums	1,027	1,613	-36.3%	836	22.8%	1,863	3,321	-43.9%
Annual premiums	223	309	-27.8%	244	-8.6%	467	699	-33.2%
New sales (APE)	326	471	-30.8%	327	-0.3%	653	1,031	-36.7%
<b>Other key figures</b>								
Staff (FTEs end of period)	8,269	8,753	-5.5%	8,633	-4.2%	8,269	8,753	-5.5%

- **Underlying result before tax up 62.1%, primarily on higher SPVA results in Japan**
- **Expenses down 12.3% excluding currency effects**
- **Sales still under pressure, but VNB up 22% from 1Q09**

### Business update

In Asia/Pacific, ING returned to profitability following a loss in the first quarter. Substantial progress was made in managing costs and capital, contributing to a significant increase in profits over the previous-year quarter.

Expenses were down EUR 67 million in the first half of 2009 compared with the first half 2008 and a full year 2009 targeted reduction of EUR 75 million. Year to date, ING also eliminated 652 full-time positions (FTEs), completing 93% of the 2009 planned reduction. The total number of FTEs in the region now stands at 8,269. Subsequent to the announcement of the cessation of the SPVA

business in Japan, ING Life Japan expects to reduce FTEs by another 200.

Insurance Asia/Pacific has taken action, through balance sheet de-risking and active monitoring of statutory solvency margins, to minimise capital consumption and improve capital efficiency. As a result, the region upstreamed EUR 125 million to ING Insurance during the quarter.

Though equity indices recorded double-digit growth across major markets in the region during the quarter, sales of investment-linked products remained under pressure as consumers favoured traditional savings products or those offering capital guarantees. Overall, traditional products accounted for 48% of new sales, up from 32% during the same period last year.

New sales were stable compared with the prior quarter despite the announcement to discontinue selling new SPVA products in Japan. COLI sales remained stable and ING Life Japan maintained its market position in this business. New sales in Malaysia and Thailand were up 18.8% and 33.3% respectively from the previous quarter thanks to continued strong sales through Public Bank in Malaysia and TMB Bank in Thailand. Excluding currency effects, new sales at ING Life Korea were

### CLIENT BALANCES 2Q2009 - INSURANCE ASIA/PACIFIC (EUR billion)

Beginning of period	81.4
Net production	-1.7
Acquisitions/divestments	0
Market performance	5.1
FX impact / Other	0.6
End of period	85.4

# INSURANCE INSURANCE ASIA/PACIFIC

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## Insurance Asia/Pacific: Key figures

In EUR million	Australia & New Zealand		Japan		Malaysia		South Korea		Rest of Asia	
	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008	2Q2009	2Q2008
Gross premium income	58	54	664	1,098	133	115	663	789	166	172
Total investment and other income	13	27	-204	-275	26	21	93	84	35	30
Operating expenses	44	48	47	46	11	13	41	57	43	44
<b>Underlying result before tax</b>	<b>19</b>	<b>38</b>	<b>102</b>	<b>27</b>	<b>18</b>	<b>12</b>	<b>62</b>	<b>52</b>	<b>0</b>	<b>-6</b>
<b>New Business</b>										
Value of new life business	12	11	-2	12	5	4	17	27	7	8
Internal rate of return (IRR)	20.1%	19.0%	7.0%	12.1%	16.2%	14.8%	19.6%	18.7%	11.4%	13.4%
Single premiums	681	715	293	778	11	9	27	63	14	48
Annual premiums	20	26	41	41	18	15	104	183	39	45
New sales (APE)	89	97	70	119	19	16	107	190	41	50

down 7.1% compared with the first quarter of 2009 on pressured investment-linked product sales and a restructuring of its tied agency force. ING Life Korea launched a new, simplified commission system as of 1 July linking compensation more closely to production and rewarding persistency. ING Life Korea maintained its position as the largest foreign life insurer in the country with a market share exceeding 6%.

Through 22 July 2009, 98% of the investors in the suspended ING Diversified Yield Fund (DYF) and ING Regular Income Fund (RIF) in New Zealand accepted the remediation offer. There was no P&L impact in the second quarter as a provision of EUR 50 million was taken in the first quarter of 2009.

Client balances increased EUR 4 billion due to market performance, which contributed EUR 5.1 billion. Net production was EUR -1.7 billion in third party assets under management.

### Financial update

#### Total underlying income

Total underlying income was down 21.9%. The decline was driven by lower gross premium income of 24.4%. Premium income rose 7.4%, or 16.0% excluding currency effects in Australia & New Zealand on robust life risk sales and in-force business retention. In Malaysia, premium income rose 15.7% on continued new business growth. Premium income fell 39.5%, or 50.1% excluding currency effects, in Japan as SPVA sales slowed considerably as several distributors suspended sales earlier in reaction to the announcement that ING would stop selling SPVA products as of 31 July 2009. In South Korea, premium income declined 16.0%, or 6.1% excluding currency effects on

overall industry weakness. Total investment and other income was up EUR 74 million from the same quarter last year, in part due to fair value changes on the derivatives used to hedge Japan's SPVA guaranteed benefits.

#### Operating expenses

Operating expenses fell 10.6%, or 12.3% excluding currency effects, as a result of continued cost containment efforts in the region. In Australia & New Zealand, operating expenses fell 8.3%, but remained level excluding currency effects as fixed expense cost control was offset by higher variable product expenses associated with life risk new business. In South Korea, operating expenses were down 28.1%, or 19.6% excluding currency effects, driven by ongoing branch restructuring and reduced promotion and advertising expenses. Operating expenses were down 16.1%, 15.4% and 8.5% excluding currency effects in Japan, Malaysia and Rest of Asia, respectively.

#### Underlying result before tax

The underlying profit before tax was EUR 201 million, up 62.1% from a profit of EUR 124 million in the second quarter last year. This increase is attributable to an improvement in the Japan SPVA result by EUR 75 million due to favourable results on basis risk and gains on unhedged exposures as market volatility subsided, and a EUR 10 million higher profit in South Korea on favourable investment results. This was partly offset by EUR 19 million lower profits in Australia & New Zealand as a result of lower capital investment earnings in ING Australia, and the move of ING Australia Holdings to the Corporate Line as of 2009. Profit is up considerably compared with the previous quarter when a loss was recorded of EUR 149 million.

## Australia & New Zealand

The underlying profit before tax for Australia and New Zealand combined was EUR 19 million compared with a profit of EUR 38 million in the second quarter of 2008. Results for the previous-year quarter included EUR 6 million in profit from ING Australia Holdings, which has been transferred to the Corporate Line as of 2009. The life company in Australia recorded a result before tax of EUR 18 million, down 40.0% from the second quarter last year. This was driven primarily by a EUR 10 million unfavourable movement in reserves due to increasing interest rates, and lower investment results, which were partially offset by lower operating expenses and favourable life risk experience.

## Japan

In Japan, ING recorded a profit before tax of EUR 102 million compared with a profit of EUR 27 million a year ago due to significantly higher SPVA results. The SPVA business posted a profit of EUR 88 million, up from EUR 13 million last year. This was mainly attributable to favourable results on basis risk and to gains on unhedged exposures as market volatility subsided. COLI results remained flat at EUR 14 million.

## Malaysia

Malaysia's underlying profit before tax was EUR 18 million, up 50% on higher premium income from business growth and one-off expense releases of EUR 4 million.

## South Korea

The underlying profit before tax was EUR 62 million, up 19.2%, or 31.9% excluding currency effects, on improved investment results and EUR 16 million in lower operating expenses. Results this quarter included EUR 6 million in dividends and realised capital gains on private equity investments, while results last year had been impacted by a EUR 5 million negative revaluation of a collateralised debt obligation (CDO) and EUR 3 million in unfavourable revaluations on equity investments.

## Rest of Asia

The underlying profit before tax in Rest of Asia improved by EUR 6 million compared to a loss of EUR 6 million a year ago. This was driven by results in Hong Kong, which improved by EUR 8 million on favourable claims experience and lower operating expenses, which in turn were partly offset by realised losses from de-risking initiatives.

## New business

New sales fell 30.8%. The decline was primarily due to lower investment-linked sales in South Korea and lower SPVA sales in Japan. Total sales in South Korea were EUR 107 million, down 43.7%, or 37.1% excluding currency effects. In the same period last year, ING Life Korea recorded strong sales of investment-linked products. In Japan, new sales declined 41.2% following the announcement to withdraw from the SPVA market. COLI sales remained stable at EUR 41 million, but declined 18.6% excluding currency effects.

In contrast, sales rose 18.8% in Malaysia on strong sales of investment-linked products through Public Bank and employee benefit sales. The partnership with Public Bank continues to be an important driver of sales, contributing 64% of the second-quarter bancassurance production in the country.

In Australia & New Zealand, new sales declined 8.2%, but remained stable at EUR 89 million excluding currency effects, driven by EUR 360 million in Wealth Management fund inflows. Life risk sales were up 16.1% excluding currency effects, reflecting the on-going increase in demand from consumers for protection coverage.

New sales in Rest of Asia were down 18.0%, or 24.1% excluding currency effects. New sales in Hong Kong fell 44.0% excluding currency effects on significantly lower sales through banks. Major bank distributors suspended investment-linked product sales in preparation to comply with new regulations governing sales of investment products. In Thailand, new sales rose 20.0%, or 9.1% excluding currency effects, thanks to robust sales through TMB Bank.

The value of new business (VNB) declined 36.1% on negative VNB generated by SPVA products in Japan and lower sales in South Korea. However, VNB was up 21.9% compared with the first quarter of 2009 due to increases in Australia, Malaysia, and Hong Kong.

The internal rate of return (IRR) in Asia/Pacific declined by 210 basis points to 12.9%. This was driven by Japan where the IRR dropped from 12.1% to 6.3%. Excluding Japan SPVA, the IRR for the region is 15.8%.

# INSURANCE CORPORATE LINE

ING GROUP | BANKING | RETAIL | ING DIRECT | COMMERCIAL | CORPORATE LINE | **INSURANCE** | EUROPE | AMERICAS | ASIA/PACIFIC

CORPORATE LINE

## Corporate Line Insurance

In EUR million	2Q2009	2Q2008	Change	1Q2009	Change	1H2009	1H2008	Change
Interest on hybrids and core debt	-175	-218	43	-140	-35	-315	-385	71
Fair value changes equity derivatives	-204	61	-265	203	-407	-2	191	-193
Fair value changes other derivatives	53	38	15	-27	80	27	-9	36
Amortisation intangible assets	-18	-14	-4	-18	0	-36	-28	-8
Investment income & fees (ING Insurance holding)	1	5	-5	1	-1	2	26	-24
Other results Capital Management	4	11	-7	2	3	6	21	-15
<b>Total Capital Management</b>	<b>-339</b>	<b>-116</b>	<b>-223</b>	<b>21</b>	<b>-359</b>	<b>-318</b>	<b>-185</b>	<b>-133</b>
Capital gains on public equity	59	644	-586	-11	69	48	751	-703
Impairments on public equity	-5	-188	183	-173	169	-178	-197	19
Notional income	-21	-83	61	-21	0	-43	-165	123
<b>Gains/impairments on public equity after notional income</b>	<b>33</b>	<b>374</b>	<b>-341</b>	<b>-205</b>	<b>238</b>	<b>-172</b>	<b>388</b>	<b>-561</b>
Results from reinsurance run-off portfolios	-1	0	-1	0	-1	-0	3	-4
Other	-5	4	-9	-61	55	-66	12	-78
<b>Underlying result before tax</b>	<b>-312</b>	<b>262</b>	<b>-574</b>	<b>-245</b>	<b>-67</b>	<b>-556</b>	<b>219</b>	<b>-775</b>

The Corporate Line Insurance includes items such as those related to capital management, capital gains on public equities (net of impairments), run-off portfolios and Formula 1 sponsoring costs.

The Corporate Line had an underlying loss before tax of EUR 312 million in the second quarter versus a profit of EUR 262 million last year.

The Capital Management result comprises interest on hybrids and core debt as well as fair value changes on derivatives, which mainly consist of (top-down) equity hedges and swaps on core debt. The interest on core debt includes the costs of equity leverage at ING Group which are passed on to both ING Bank and ING Insurance, as well as the costs of the core debt directly held by ING Insurance. The amortisation of the intangible assets is also transferred from the business units to the Corporate Line.

The Capital Management result declined by EUR 223 million, mainly driven by a EUR 265 million negative swing in fair value changes on derivatives used to hedge ING's equity portfolio. The Interest on hybrids and core debt improved thanks to higher interest received on intercompany loans despite higher funding costs on hybrids.

All capital gains and losses on public equities net of equity impairments realised in the business units are transferred to the Corporate Line. In return, a 3% notional return on those equities is transferred back to the business units. The remainder is presented on the Corporate Line as 'Gains/

impairments on public equity after notional income'. The dividends received on the equity portfolio are not transferred to the Corporate Line but stay within the business units. The gains on the sale of public equity amounted to EUR 59 million versus gains of EUR 644 million in the second quarter last year. Impairments on public equity decreased to EUR 5 million from EUR 188 million last year, reflecting improved equity markets. The notional income amount transferred to the business units decreased from EUR 83 million in the second quarter of 2008 to EUR 21 million, reflecting the smaller equity portfolios held by the business units as a result of active de-risking.

The result for 'Other' decreased by EUR 9 million mainly due to higher allocated corporate overhead expenses.

Compared with the previous quarter, the underlying result is down EUR 67 million. Higher capital gains and lower impairments on public equity were more than offset by lower hedge results driven by improved equity markets.

# SHARE INFORMATION

## Financial calendar

Publication results 3Q 2009  
Wednesday, 11 November 2009  
Publication results 4Q 2009  
Wednesday, 17 February 2010  
Annual General Meeting of Shareholders  
Tuesday, 27 April 2010  
(All dates are provisional)

## Investor relations

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## Listing information

ING ordinary shares are registered shares with a par value of EUR 0.24 per share. The (depository receipts for) ordinary shares ING Group are listed on the exchanges of Amsterdam, Brussels, and New York (NYSE).

Stock exchanges	Tickers (Bloomberg, Reuters)	Security codes (ISIN, SEDOL1)
Euronext Amsterdam	INGA NA, ING.AS	NL0000303600, 7154782 NL
New York Stock Exchange	ING, ING.N	US456837103, 2452643 US

## American Depositary Receipts (ADRs)

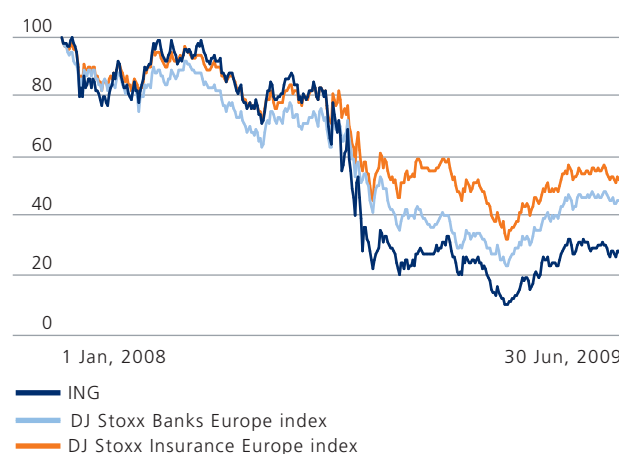
For questions regarding your ADRs please contact the depository:

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P.O. Box 64504  
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Internet: [www.adr.com](http://www.adr.com)

## Comparative performance of share price

1 Jan 2008 to 30 June 2009





## OUR QUARTERLY PUBLICATIONS

This ING Group Quarterly Report contains our quarterly financial reporting and analysis, including comment on the progress of our businesses and key strategic initiatives.

Other quarterly financial publications:

### Press release

The press release on ING's quarterly results contains the Chairman's Statement, financial highlights by business line and key developments on the balance sheet, capital management and risk management.

### Analyst presentation

The analyst presentation of ING's quarterly results contains a detailed review of the drivers of results and addresses key issues raised by analysts and investors.

### ING Group Statistical Supplement

The Group Statistical Supplement contains quarterly financial data and should be read in conjunction with the ING Group Quarterly Report. The supplement is available in both PDF and Excel format.

### ING Group Historical Trend Data

In addition to the Group Statistical Supplement, this document, available in PDF and Excel format, includes trended information and details of restatements.

### ING Group, ING Bank and ING Insurance Interim Accounts

These condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". ING publishes Interim Accounts under IAS 34, including a review report of E&Y, on a quarterly basis. Previously the ING Group Interim Accounts were presented within the ING Group Statistical Supplement. We have changed this into a presentation in a separate document as of 1Q 2009.

### ING US Statistical Supplement

The US Statistical Supplement contains quarterly financial data for the life insurance activities in the US.

All figures in the quarterly financial publications are unaudited.

The quarterly financial publications are available on the internet at [www.ing.com/investorrelations](http://www.ing.com/investorrelations) in the Quarterly results section.

## DISCLAIMER

ING Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU'). In preparing the financial information in this Quarterly Report, the same accounting principles are applied as in the 2008 ING Group Annual Accounts.

All figures in this report are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained in this release are statements of future expectations and other forwardlooking 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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