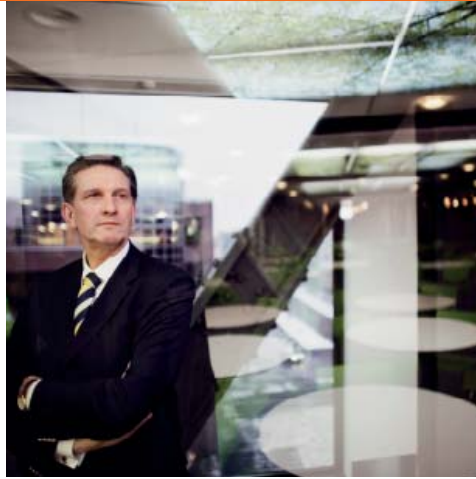


ING INSURANCE



**Condensed consolidated interim financial
information for the period ended
30 June 2013**

ING Verzekeringen N.V.
Condensed consolidated interim financial information
for the period ended 30 June 2013

Contents

Interim report

Interim report	3
Conformity statement	11

Condensed consolidated interim accounts

Condensed consolidated balance sheet	12
Condensed consolidated profit and loss account	13
Condensed consolidated statement of comprehensive income	14
Condensed consolidated statement of cash flows	15
Condensed consolidated statement of changes in equity	16
Notes to the condensed consolidated interim accounts	18
Subsequent events	63
Review report	64

Interim report

ING VERZEKERINGEN N.V.

INTRODUCTION

ING evaluates the results of its insurance operations using the financial measures of underlying result before tax. The breakdown of underlying result before tax by business line for the insurance activities can be found in Note 15 'Segments'.

As of 1 January 2013, Insurance EurAsia and Insurance ING U.S. are reported separately. ING Insurance Other reflects, besides some funding related results and Group shareholders expenses, the results of insurance businesses and activities that are not related to and therefore not included in Insurance EurAsia and Insurance ING U.S.

The reconciliation between Insurance EurAsia, Insurance ING U.S. and Insurance Other to Total Insurance can be found in Note 15 'Segments'.

ING Insurance analyses the underlying result through a margin analysis, which includes the following components:

- Operating result; and
- Non-operating items.

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

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

- Realised capital gains/losses and impairments on debt and equity securities;
- Revaluations on assets marked to market through the Profit and loss account; and
- Other non-operating impacts, e.g. provision for guarantees on separate account pension contracts, equity related and other DAC unlocking, Variable Annuities/ Fixed Indexed Annuities ('VA/FIA') Guaranteed benefit Reserve Unlocking and DAC offset on gains/losses on debt securities.

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

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

The reconciliation between IFRS-EU and underlying income, expenses and Net result can be found in Note 15 'Segments'.

IPO OF ING U.S.

Insurance ING U.S. was successfully listed on the NYSE under the ticker symbol 'VOYA' in May 2013. The total proceeds of the IPO were EUR 1,061 million. As a result, ING's ownership interest in Insurance ING U.S. was reduced from 100% to 71.25%. The total proceeds received from the IPO represent a discount to Insurance ING U.S. book value, which has been accounted for in shareholder's equity. Insurance ING U.S. remains fully consolidated. The impact on shareholder's equity of the IPO was EUR 1,958 million. The IPO resulted in a minority interest in Equity of EUR 2,954 million.

INSURANCE OPERATIONS

ING Insurance/IM first half year results 2013 increased compared with the first half year results 2012. The first half year 2013 net result was EUR 935 million compared with a net result of EUR 216 million in first half year 2012. The first half year 2013 net result includes EUR 999 million result on the discontinued operations related to the Asian Insurance and Investment Management businesses. Special items were EUR 49 million in the first half year 2013 compared with EUR 61 million in the first half year 2012. The 2013 first half year result on divestments was EUR 13 million compared with EUR 11 million in the first half year of 2012. Underlying net result for the first half year 2013 was EUR -2 million compared with EUR 193 million in the first half year 2012. Underlying net result is derived from total net result by excluding the impact from divestments, special items and discontinued operations.

INSURANCE EURASIA

Total underlying result before tax from the insurance operations for the six months ending 30 June 2013 increased to EUR 277 million from EUR –144 million in the same period last year. The increase was fully driven by lower results in the first half year of 2012, as these included negative changes in the provision for separate account pension contracts (net of hedging) in the Benelux and negative revaluations on equity options and real estate. Total premium income decreased to EUR 4,346 million in the first half year of 2013 from EUR 4,946 million in the same period last year. Decreases amounted to EUR 512 million in the Benelux and EUR 88 million in Central & Rest of Europe.

Due to divestment of the Asian Insurance and Investment Management businesses, the results of Insurance Asia/Pacific, the Asian Investment Management businesses and the Asian activities previously reported in the Corporate Line are currently reflected in the net result from discontinued operations. Net result from discontinued operations for the six months ending 30 June 2013 amounted to EUR 58 million as compared to EUR 274 million a year ago. Insurance Asia recorded a 22.5% decline in net result from EUR 298 million in the first half of 2012 to EUR 231 million in the first half of 2013, mainly due to the sale of the insurance business in Malaysia, Hong Kong and Thailand. The net result from the internally reinsured Japanese SPVA guarantees and related hedges deteriorated to EUR –176 million in the first half of 2013 from EUR –22 million in the first half of 2012.

Insurance results in the first half year of 2013 increased marginally. The operating result of EUR 346 million increased 1.8% from the same period last year mainly as a result of a lower investment margin compensated by lower administrative expenses and lower DAC amortisation. The underlying result before tax in the first half year of 2013 jumped to EUR 277 million from a loss of EUR 144 million a year ago due to less negative revaluations and the negative result (net of hedging) on separate account pension contracts in the Netherlands.

Insurance and investment management EurAsia

The operating result from Life Insurance and Investment Management EurAsia was EUR 494 million, or 0.8% higher than the first half year of 2012. This increase was mainly the result of a EUR 12 million higher technical margin and EUR 19 million lower Life administrative expenses, which were partly offset by a EUR 31 million lower investment margin.

The investment margin decreased to EUR 321 million in the first half of 2013 from EUR 352 million in the same period last year. The decrease is fully attributable to the Benelux reflecting the impact of de-risking measures undertaken last year, a lower reinvestment yield on the fixed income portfolio, lower operating income from real estate, and lower dividends on public equity.

Fees and premium-based revenues were 1.7% lower than the same period last year and amounted to EUR 730 million. This decrease was mainly the result of lower sales in the Netherlands, which were compensated by higher fees from IIM.

The technical margin amounted to EUR 192 million and improved by EUR 12 million (or 6.7%) compared with the first half year of 2012. The increase is fully attributable to the impact of the guarantee provisions for certain life insurance contracts in the Benelux.

Life & ING IM administrative expenses were EUR 574 million, EUR 19 million or 3.2% lower than in the first half year of 2012. The higher pension cost in the Netherlands are more than compensated by strong cost control in the Benelux and Central & Rest of Europe.

DAC amortisation and trail commissions decreased to EUR 197 million from EUR 212 million in the first half year of 2012, or down 7.1%. This increase is fully attributable to the Benelux driven by lower gross premiums in the Netherlands and the new distribution agreement with ING Bank in Belgium.

The Non-life operating result decreased 14.3% to EUR 42 million compared to EUR 49 million in the first six months of 2012 mainly due to higher pension costs, lower investment income and lower Property & Casualty results, partly compensated by a more favourable claims experience in the Group Disability portfolio.

The operating result for the Corporate Line EurAsia was EUR –190 million versus EUR –199 million in the first half year of 2012. The improvement was the result of lower funding expenses in the first half year of 2013 being partly offset by a one-off loss in ING Re.

Gains/losses and impairments on investments amounted to EUR 34 million from EUR –2 million in the first half year of 2012. The positive result is driven by realised gains on sales of public equities and debt securities in the Benelux and the Corporate Line EurAsia. The 2012 result mainly consisted of losses on the sale of Portuguese and Spanish bonds due to de-risking, partly offset by gains on the sale of public equity.

Revaluations increased to EUR –5 million in the first half year of 2013 versus EUR –235 million in the same period last year. Last years lower revaluations are mainly due to the Benelux (EUR –251 million) as a result of negative revaluation of equity hedges to protect solvency and negative revaluations on real estate.

Market and other impacts were EUR –97 million in the first half year of 2013 compared with EUR –248 million in the same period last year. The increase is mainly driven by the Benelux result a year ago, which was negatively impacted by the change of provision for guarantees on separate account pension contracts (net of hedging).

Insurance Benelux

Insurance Benelux performance decreased in the first six month of 2013, as a result of a lower investment margin due to de-risking measures, lower DAC amortisation and trail commissions, and lower non-life results partially offset by higher technical margin and lower life administrative expenses. The operating result decreased 2.3% to EUR 391 million from EUR 400 million in the first half year of 2012.

Life investment margin decreased to EUR 298 million versus EUR 324 million in the first half year of 2012. This was mainly due to the impact of de-risking measures taken last year, a lower reinvestment yield on the fixed income portfolio, lower operating income from real estate, and lower dividends on public equity.

Fees and premium-based revenues decreased to EUR 294 million compared with EUR 317 million in the first half year of 2012. The decrease is driven by lower gross premium income in retail life and a further reduction of cost charges within unit-linked insurance policies from 2013 for clients in the Netherlands.

Technical margin improved 26.1% to EUR 116 million from EUR 92 million in the same period last year. In the current period the technical margin improved due to increased interest rates leading to decreases of the guarantee provisions on unit-linked life contracts. Furthermore mortality results were higher compared to the first six months of last year.

Life administrative expenses decreased to EUR 284 million from EUR 287 million in the first six months of 2012. Despite higher pension costs the decrease is driven by the acceleration of the transformation programme at Nationale Nederlanden and strong cost control.

DAC amortisation & trail commissions decreased by EUR 19 million to EUR 83 million compared with the first half year of 2012, reflecting lower commissions in line with lower gross premium income.

The non-life operating result decreased 15.2% to EUR 39 million from EUR 46 million in the first half year of 2012, largely caused by higher pension costs, lower investment income and lower Property & Casualty results, partly compensated by a more favourable claims experience in the Group Disability portfolio.

The underlying result before tax in the first six months of 2013 increased by EUR 382 million to EUR 304 million from EUR –78 million in the first half year of 2012. The results in the first half year of 2012 included negative changes in the provision for separate account pension contracts (net of hedging) in the Benelux and negative revaluation of equity options and real estate revaluations.

Insurance Central and Rest of Europe

The operating result for Insurance Central and Rest of Europe declined 10.0% to EUR 72 million from EUR 80 million in the same period last year. Life operating income declined by EUR 18 million mainly due to EUR 13 million lower technical margin in combination with EUR 4 million lower investment margin. These impacts were partly offset by EUR 11 million lower life expenses, where EUR 15 million lower administrative expenses was partly offset by EUR 3 million higher DAC amortisation.

The investment margin for the first half of 2013 decreased 15.4% to EUR 22 million compared with EUR 26 million in the six months of 2012, reflecting the impact of regulatory changes in the third pillar pension fund in the Czech Republic.

Fees and premium-based revenues declined 0.9% to EUR 211 million from EUR 213 million in the first six months of 2012. The decline was mainly due to the investment performance bonus received in the Polish Pension Fund last year and higher new business strain due to strong growth in Turkey this year partly offset by a more profitable product mix in Poland and the impact of a change in the amortising of commission and expenses in Turkey.

The technical margin decreased 15.7% to EUR 75 million compared with the first six months of 2012 reflecting a EUR 4 million release of a technical provision in Romania, lower surrender, morbidity and mortality results in Greece and lower morbidity results in Spain.

Life administrative expenses decreased to EUR 135 million from EUR 150 million in the same period a year ago as 2012 included EUR 14 million for the Hungarian financial institutions tax.

DAC amortisation and trail commissions increased by EUR 3 million compared with the same period last year to EUR 113 million in line with higher sales.

Despite a decrease in operating result of EUR 8 million, the underlying result before tax increased with EUR 1 million to EUR 73 million compared with last year. The underlying result in the first six months of 2012 was impacted by losses on the sale of Spanish financial institutions bonds and losses on Greek government bonds as part of the PSI debt exchange. This negative effect was partly offset by the positive revaluation result in Spain driven by the unwinding of interest rate hedges, also in the first six months of 2012.

ING Investment Management EurAsia

The operating result increased by 20.0% to EUR 72 million from EUR 60 million a year ago as a result of higher operating income while administrative expenses remained at the same level.

Fees and premium based revenues increased by 6.1% from EUR 213 million in the first six months of 2012 to EUR 226 million. This increase was mainly due to higher Assets under Management growth as financial markets rose within the period.

Administrative Expenses remained unchanged compared with the first half of 2012 at EUR 155 million.

The underlying result before tax increased by 20.0% as a direct consequence of the higher operating results since there was no impact from non-operating results in both periods.

Corporate Line EurAsia

The operating result improved to EUR –190 million in the first half of 2013 from EUR –199 million last year. In the first half of 2013 a lower interest on intercompany hybrid loans was partly offset by a one-off loss on a specific reinsurance contract.

Underlying result before tax improved by EUR 27 million to EUR –172 million in the first six months of 2013. In addition to the improved operating result, this is mainly attributable to gains on debt securities in ING Re.

INSURANCE ING U.S.

The operating result increased to EUR 226 million from EUR 221 million in the first six months of 2012. On an underlying basis, results for the total US business were EUR –211 million before tax compared with EUR 195 million in the first half year of 2012. This decrease reflects lower non-operating results primarily due to higher losses on hedges, net of reserve changes, and lower revaluations.

Insurance US

The operating result increased to EUR 326 million from EUR 319 million in the first six months of 2012. This increase is mainly attributable to a higher technical margin as well as higher fees and premium-based revenues. These effects are partly offset by a lower investment margin and slightly higher administrative expenses.

The life investment margin of EUR 510 million is a 6.7% decrease from the first six months of 2012. This decrease is primarily due to lower earned rates and the run-off of assets related to the Institutional Spread products. These decreases were partly offset by reductions in credited rates in the Retirement and Individual Life business and an increase in assets in the Retirement business.

Fees and premium-based revenues rose to EUR 593 million from EUR 585 million in the first six months of 2012. Higher fees in the Retirement and Annuities business, fuelled by strong net flows and higher equity markets, helped offset lower premium-based revenues in Individual Life following management actions to focus on less capital-intensive products.

The technical margin increased to EUR 22 million from EUR –15 million in the first six months of 2012. This improvement is primarily due to improved margins in Individual Life due to improved net mortality and lower reserve changes related to the suspension of Guaranteed Universal Life sales and a lower level of new Term business being issued. The improvement was also supported by EUR 13 million of non-recurring reserve releases in the Individual Life, Annuities, and Retirement businesses in the first six months of 2013.

Life administrative expenses were EUR 442 million, almost flat with the first six months of 2012.

DAC amortisation and trail commissions remained flat compared with the first six months of 2012 at EUR 356 million.

The underlying result before tax decreased to EUR 310 million in the first six months of 2013 as compared to EUR 384 million in the previous year. This decrease was fully driven by lower non-operating results.

Gains/losses and impairments were nil down from EUR 24 million in the first six months of 2012, primarily driven by a decrease in trading gains, partially offset by lower credit related losses.

Revaluations were EUR –81 million down from EUR 76 million in the first six months of 2012, reflecting the lower level of alternative assets following the portfolio restructuring undertaken in 2012 as well as negative revaluations on CMO assets due to changes in prepayment assumptions and interest rates. The first six months of 2012 reflected positive revaluations on CMO assets, partially offset by losses on the sale of a portfolio of limited partnerships.

Market and other impacts were EUR 22 million compared with EUR –35 million in the previous year. The first six months of 2013 reflect positive DAC unlocking due to favourable equity markets and positive DAC amortisation related to the negative CMO revaluations.

Investment Management US

The operating result increased to EUR 41 million, driven by an increase in fees and premium-based revenue, partially offset by an increase in variable-related expenses.

Fees and premium-based revenues increased 11.5% from EUR 187 million in the first half of 2012 to EUR 209 million in 2013 driven by higher AuM from strong net inflows and equity market appreciation, favourable changes in the asset mix resulting in higher fees per AuM, and an increase in performance and distribution related fees.

Administrative expenses increased from EUR 156 million to EUR 167 million driven by an increase in variable and performance related compensation in line with the increase in revenues.

Revaluations decreased from EUR 15 million to EUR –18 million in the first six months of 2013, primarily due to losses in the current year related to minority interests in partnerships managed by Investment Management US ('IIM'), as well as a lower level of gains on IIM's investment capital results.

The underlying result before tax decreased to EUR 22 million from EUR 44 million in the first half of 2012 as the decrease in revaluations more than offsets the increase in operating results.

Insurance US Closed Block VA

The operating result increased to EUR –58 million from EUR –63 million in the first six months of 2012. This increase is primarily attributable to higher fees and premium-based revenue and a higher investment margin.

The life investment margin increased to EUR 7 million from EUR 2 million in the first six months of 2012. This increase is primarily due to slightly higher asset levels and slightly higher earned rates, in part due to a change in the mix of assets.

Fees and premium-based revenues increased to EUR 59 million from EUR 50 million in the first six months of 2012. This increase is mainly due to higher fee income and a lower cost of guaranteed benefits driven by the increasing equity market appreciation.

The technical margin decreased to EUR 3 million from EUR 9 million in the first six months of 2012. This decline was mainly attributable to a non-recurring reserve release in the first quarter of 2012.

Life administrative expenses were EUR 47 million compared with EUR 51 million in the first six months of 2011. DAC amortisation and trail commissions were EUR 79 million compared with EUR 73 million in the first half of 2012.

The underlying result before tax decreased to EUR –461 million in the first six months of 2013 as compared with EUR –168 million in the previous year. This decrease is mainly driven a higher loss on hedges, net of reserve changes, as the hedge program focuses on protecting regulatory and rating agency capital rather than mitigating earnings volatility.

Gains/losses and impairments decreased to EUR 8 million from EUR 16 million in the first six months of 2012. Revaluations were EUR 2 million compared with nil in the first six months of 2012.

Market and other impacts were EUR –413 million compared with EUR –121 million in the previous year, reflecting a higher loss on hedges, net of reserve changes, due to the increasing equity market.

Corporate Line Insurance ING U.S.

The US Corporate Line operating result was EUR –83 million compared with EUR –64 million in the first six months of 2012. The decline was caused by higher interest costs due to the replacement of shorter-term internal debt with longer-term external debt partially offset by lower LOC costs related to the cancellation of the contingent funding facility between Insurance ING U.S. and ING Bank N.V. in the second quarter of 2013.

INSURANCE OTHER

Insurance Other reflects Capital Management funding related results, including interest received from subsidiaries of ING Verzekeringen N.V., partly offset by interest paid. Furthermore, Insurance Other includes results of insurance businesses and activities that are not related to and therefore not included in Insurance EurAsia and Insurance ING U.S., such as ING's stake in the Brazilian insurer SulAmérica SA and ING's mortgage business in Mexico, and other items such as Group Shareholders' expenses and several litigations.

ING INSURANCE BALANCE SHEET

The comparative figures at 31 December 2012 have been restated to reflect the new pension accounting requirements under IFRS (the revised IAS 19, which took effect on 1 January 2013). The change in accounting reduced Shareholder's equity at that date with EUR 875 million, reflecting the immediate recognition in Shareholder's equity of accumulated actuarial gains/losses, which were previously deferred through the so-called corridor approach. Further details about this are included on page 18 of the Condensed consolidated Interim accounts.

ING Insurance balance sheet decreased by EUR 17.2 billion to EUR 321.9 billion at 30 June 2013 from EUR 339.1 billion at the end of 2012.

Cash and cash equivalents

Cash and cash equivalents increased by EUR 2.0 billion from EUR 5.4 billion at the end of December 2012. This increase mainly reflects the proceeds of the sale of the life insurance units in Hong Kong, Macau and Thailand to Pacific Century Group.

Financial assets at fair value through profit and loss

At Insurance EurAsia, Financial assets at fair value through P&L decreased by EUR 3 billion, mainly due to a shift from Investments for risk of policyholders to Investments, following a change of several guaranteed separate account pension contracts, negative revaluations and contractual payments to policyholders. At Insurance ING U.S., Financial assets at fair value through P&L rose by EUR 2 billion, mainly due to positive revaluations on investments for the risk of policyholders. These movements are mirrored in the provision for insurance and investment contracts on the liability side of the balance sheet.

Available-for-sale investments

Available-for-sale investments decreased by EUR 5.8 billion to EUR 113.5 billion mainly due to negative revaluations of the Available-for-sale debt securities as interest rates increased.

Assets/Liabilities held for sale

Assets held for sale decreased by EUR 12.7 billion from 31 December 2012 due to the completion of the sale of the life insurance units in Hong Kong, Macau and Thailand to Pacific Century Group, the sale of ING's 50% interest in ING Vysya Life Insurance to Exide Industries and the sale of the 49% stake in the Korean insurance venture KB Life to joint venture partner KB Financial Group.

Shareholder's equity

Shareholder's equity declined by EUR 4.0 billion to EUR 22.4 billion. This decline was caused by the difference between the net proceeds to ING Insurance and the IFRS book value of the ING U.S. stake divested and a lower revaluation reserve for debt securities as a result of higher interest rates. These factors were only partially offset by the EUR 1.0 billion six months net profit and deferred interest crediting to life policyholders. ING Insurance paid EUR 775 million dividend to ING Groep N.V. in the first six months.

Debt securities in issue

Debt securities in issue increased by EUR 1.3 billion driven by recent Insurance ING US debt offerings.

Other borrowed funds

Other borrowed funds decreased by EUR 3.5 billion to EUR 3.9 billion following the EUR 1.2 billion repayment of a bank term loan and commercial paper by Insurance ING US using the proceeds from the private debt offering and lower collateral due to decreased fair values of the non-trading derivatives.

RISK MANAGEMENT**Insurance EurAsia**

Insurance EurAsia continued to strengthen its risk organisation and improve its risk profile in preparation for its stand-alone future. Solvency improved in the first half year due to the impact of the net gain on divestments as well as from the positive market developments. The key risks for ING Insurance EurAsia (excluding the held-for-sale Asia entities) are discussed below, in particular the impact on value, regulatory capital and IFRS earnings.

Market risk

The economic interest rate exposure of ING Insurance EurAsia is to falling interest rates, in particular to changes in the long end of the yield curve, reflecting ING's large pension business in the Netherlands. ING has hedged its economic interest rate exposure by investing in long-term bonds and closing the remaining interest rate gap through receiver swaps and swaptions. Interest rate risk is also mitigated through a disciplined pricing and renewal strategy in the Dutch corporate pensions business. The use of interest rate derivatives results in an IFRS earnings sensitivity to rising interest rates. This earnings sensitivity reduced over the first half year due to the reduction of swaptions. The IFRS interest rate sensitivities relate to parallel movements in the yield curve. Non-parallel movements may also cause earnings sensitivity due to an asymmetry between the accounting of the liability and (hedge) assets for the guaranteed separate account business in the Netherlands. The equity risk primarily relates to direct equity holdings in the Netherlands. Market value movements in equities are directly reflected in regulatory capital. ING has hedged the equity risk within the guaranteed separate account pension business to a large extent by using equity options.

The real estate sensitivity reflects investments in real estate funds and direct real estate assets. Market movements in real estate are taken through the P&L. Therefore, real estate sensitivities are similar from an economic, regulatory capital and IFRS earnings perspective.

Credit Risk

Credit spread risk is the single largest risk from a regulatory capital perspective in the Netherlands. It reflects the impact of the mismatch between the ECB AAA government bond rate used to value the long-term liabilities and the spreads in the assets held to match the duration of these liabilities. This mismatch is not expected to be realised as long as the underlying assets do not default and are held to maturity. Financial instability of the Eurozone is addressed through localisations of our European bond holdings and by specific business continuity plans. The total exposure to Greece, Italy, Ireland, Portugal and Spain (GIIPS) was reduced by EUR 559 million over the first half year.

Insurance risks

The IFRS earnings sensitivities to Insurance risks primarily relate to fluctuations in actual mortality, morbidity and P&C experience. There were no major changes in these sensitivities during the period.

ING is exposed to longevity risks arising from the large defined benefit pension book in the Netherlands. ING currently uses the 2012 Dutch Central Bureau of Statistics (CBS) tables as a basis for IFRS reserve adequacy testing, regulatory solvency for Dutch entities, and pricing. Updates to these tables only impact IFRS earnings over time, though they may result in large immediate impacts on value and regulatory capital. The Dutch disability business is the largest contributor to morbidity risk. Disability covers depend on business cycles and additional provisions were required due to recent deteriorating disability experience. Actions to improve profitability are taken which include premium increase at renewal date and combining long term disability cover with coverage for sick leave as this allows earlier detection, better claims handling and earlier reintegration into the workforce.

Non-financial risks

Pricing for long-term options and guarantees reflects dynamic policyholder behaviour, which can be uncertain. Insurance EurAsia is mitigating this risk by establishing a closer relationship with end customers. The product approval and review process ensures that new products are suitable for customers. Existing and in-force products are also reviewed regularly for their suitability, and adjustments are made when required.

A large reorganisation has taken place within head office and regional offices for Benelux, Central and Rest of Europe and Asia during the second quarter in order to improve organizational efficiency and effectiveness. The three layer organizational structure has been merged into two layers thus strengthening our risk management organization as group staff now operates closer to the business. Risks from the accompanying transfer of responsibilities are closely managed.

IT, data quality and other operational risks are addressed through risk assessments and by maintaining a constant focus on improving areas of significant operational risks.

Insurance ING U.S.

ING U.S. continued its efforts to align its risk organisation and risk profile in line with its future as a stand-alone company. These initiatives as well as favourable market conditions had a positive impact on the ING U.S. risk profile. Solvency ratios were successfully managed within the targets, with some further improvement of the debt-to-capital ratio.

Market risk and credit risk

The primary interest rate exposure for the ongoing business is to falling interest rates. Earnings sensitivity for a 1% decrease amounts to EUR 147 million. ING U.S. has hedged its economic interest rate exposure by matching assets and liabilities for in-force policies and by adjusting policy credited rates and pricing for long-term guarantees on new business. The increase in sensitivity to interest rates over the half year was driven by the rebalancing of an interest rate cap program.

Earnings sensitivities to equity market changes for the ongoing business are driven primarily by changes in fees on certain policyholder account values, predominantly in the Retirement business. Changes in the value of private equity and other alternative assets held in the general account also contribute to equity market sensitivities. The primary equity risk is to falling markets. Earnings sensitivity for a 25% decrease amounts to EUR 203 million. ING U.S. has taken steps to mitigate equity risk primarily through hedging strategies and by maintaining broad diversity in its investment portfolio.

Earnings sensitivity due to Credit Default risk decreased by approximately 17% in the first half of 2013 to EUR 236 million, following sales of lower-rated RMBS and CMBS securities. As of 30 June 2013, low-rated structured assets account for almost half of the earnings sensitivity.

The earnings sensitivity related to Credit Spread risk of EUR 231 million is almost entirely embedded in the EUR 544 million portfolio of previously impaired structured assets. As these assets are marked to market, substantial spread widening could cause recognition of market value losses through incremental impairments. In the first half of 2013, the measured earnings sensitivity to Credit Spread risk decreased by 2%. The earnings sensitivity related to CDS transactions decreased slightly due to maturity runoff and accounts for 15% of total earnings sensitivity related to Credit Spread risk.

ING U.S. manages its Credit risk by setting limits for the credit quality at the portfolio level, limits to manage concentration risk in investment portfolios, and limits for counterparty risk. In the first half of 2013, the portfolio of Alt-A, Sub-Prime and CMBS securities rated below investment grade decreased by 17% to EUR 1.4 billion, due to further asset sales. This reduction in credit risk was offset by a EUR 1.5 billion reduction in the amount of short-term assets and the reinvestment of those funds in higher-yielding Investment Grade Corporate Bonds. The credit quality of the general account portfolio was stable during the first half year and the average rating quality of the fixed income investments (BBB+) remained unchanged. The total exposure of ING U.S. to the Greece, Italy, Ireland, Portugal, and Spain (GIIPS) countries remains immaterial and there is no exposure to Cyprus.

Insurance risk

Insurance risks such as mortality, longevity, and morbidity result from the pricing and underwriting of insurance contracts. Through scenario analysis, ING U.S. measures the sensitivity of pre-tax earnings of the insurance operations to an adverse change of insurance risk factors at the 90% confidence level over a one-year period. ING U.S. manages this risk by monitoring pricing assumptions and experience. Additionally, underwriting policies, product design, risk limits related to policy terms and conditions, and reinsurance are used to reduce the insurance risks. The overall exposure to insurance risks did not change significantly during the first half of 2013 and amounted to EUR 73 million.

Closed Block Variable Annuity Risk

Equities are the main driver of earnings sensitivities to market developments for the Closed Block VA business. The Closed Block Variable Annuity hedge program focuses on protecting regulatory and rating agency capital rather than earnings. These hedges will generate losses when equity markets increase and gains when equity markets decrease. Earnings sensitivity for a 25% decrease amounts to EUR 950 million.

OTHER

Reference is made to Note 22 'Important events and transactions' in the Condensed consolidated interim accounts for information on the most important events in the first half of 2013, other than the information disclosed in this Interim report. In Note 18 'Related parties' in the Condensed consolidated interim accounts information is provided on related party relationships and transactions. Both disclosures are deemed to be incorporated by reference here.

Looking ahead

ING has made good progress so far this year as we work to improve our operational performance, execute our restructuring and prepare our insurance companies for independent futures.

Conformity statement

The Management Board Insurance is required to prepare the Interim report and Condensed consolidated interim accounts of ING Verzekeringen N.V. ('ING Insurance') for each financial period in accordance with applicable Dutch law and International Financial Reporting Standards (IFRS) that are endorsed by the European Union.

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

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

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

- the ING Verzekeringen N.V. Condensed consolidated interim accounts for the period ended 30 June 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Verzekeringen N.V. and the entities included in the consolidation taken as a whole; and
- the ING Verzekeringen N.V. interim report for the period ended 30 June 2013 includes a fair review of the information required pursuant to article 5:25d, paragraph 8 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) regarding ING Verzekeringen N.V. and the entities included in the consolidation taken as a whole.

AMSTERDAM, 6 AUGUST 2013
THE MANAGEMENT BOARD INSURANCE

J.H.M. Hommen

CEO, chairman of the Management Board

P.G. Flynn

CFO, member of the Management Board

W.F. Nagel

CRO, member of the Management Board

R.A.J.G. Hamers

Member of the Management Board

Condensed consolidated balance sheet of ING Insurance

as at

amounts in millions of euros	30 June 2013	31 December 2012
ASSETS		
Cash and cash equivalents	7,390	5,389
Financial assets at fair value through profit and loss 2	105,655	106,458
Available-for-sale investments 3	113,543	119,305
Loans and advances to customers	25,073	25,823
Reinsurance contracts	5,129	5,290
Investments in associates	1,214	1,352
Real estate investments	797	805
Property and equipment	316	338
Intangible assets 4	1,212	1,018
Deferred acquisition costs	5,212	4,549
Assets held for sale 5	48,981	61,691
Other assets 6	7,399	7,039
Total assets	321,921	339,057
EQUITY 7		
Shareholder's equity (parent)	22,370	26,424
Minority interests	3,025	217
Total equity	25,395	26,641
LIABILITIES		
Subordinated loans	2,958	2,947
Debt securities in issue 8	3,179	1,910
Other borrowed funds	3,929	7,442
Insurance and investment contracts	228,934	229,950
Financial liabilities at fair value through profit and loss 9	2,983	3,258
Liabilities held for sale 5	44,933	55,651
Other liabilities 10	9,610	11,258
Total liabilities	296,526	312,416
Total equity and liabilities	321,921	339,057

Amounts for 2012 have been restated to reflect the change in accounting policy as disclosed in the section 'Changes in accounting policies' on page 18.

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

Condensed consolidated profit and loss account of ING Insurance

for the three and six month period

amounts in millions of euros	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Continuing operations				
Gross premium income	4,478	4,812	10,264	10,934
Investment income 11	1,418	1,921	2,956	3,573
Commission income	395	360	761	707
Other income 12	-648	706	-1,648	-845
Total income	5,643	7,799	12,333	14,369
Underwriting expenditure 13	4,644	6,598	10,474	12,457
Intangible amortisation and other impairments	6	8	9	12
Staff expenses 14	455	315	961	783
Other interest expenses	104	123	205	237
Other operating expenses	362	403	708	880
Total expenses	5,571	7,447	12,357	14,369
Result before tax from continuing operations	72	352	-24	0
Taxation	83	-64	90	-140
Net result from continuing operations	-11	416	-114	140
Discontinued operations 20				
Net result from discontinued operations	-98	111	58	274
Net result from classification as discontinued operations		-180		-180
Net result from disposal of discontinued operations	-4		941	
Total net result from discontinued operations	-102	-69	999	94
Net result from continuing and discontinued operations (before minority interests)	-113	347	885	234

amounts in millions of euros	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Net result attributable to:				
Shareholder of the parent	-67	347	935	216
Minority interests	-46		-50	18
	-113	347	885	234
Net result from continuing operations attributable to:				
Shareholder of the parent	35	416	-64	122
Minority interests	-46		-50	18
	-11	416	-114	140
Net result from discontinued operations attributable to:				
Shareholder of the parent	-102	-69	999	94
	-102	-69	999	94

Amounts for the three and six month period ended 30 June 2012 have been restated to reflect the change in accounting policy as disclosed in the section 'Changes in accounting policies' on page 18.

ING Insurance has declared and paid dividend in the first half year of 2013 of EUR 775 million (2012: nil) to ING Groep N.V.

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

Condensed consolidated statement of comprehensive income of ING Insurance

for the three and six month period

	3 month period		6 month period	
	2013	2012	2013	2012
amounts in millions of euros				
Net result from continuing and discontinued operations	-113	347	885	234
Items that will not be reclassified to the profit and loss account:				
Remeasurement of the net defined benefit asset/liability 10	92	-146	386	-802
Unrealised revaluations property in own use	-1	3	-1	3
Items that may be reclassified subsequently to the profit and loss account:				
Unrealised revaluations available-for-sale investments and other	-3,269	784	-3,906	1,697
Realised gains/losses transferred the profit and loss account	-6	36	-66	-111
Changes in cash flow hedge reserve	-317	438	-474	511
Transfer to insurance liabilities/DAC	1,478	-737	1,937	-968
Share of other comprehensive income of associates	47	4	26	-12
Exchange rate differences and other	-496	801	-324	399
Total comprehensive income	-2,585	1,530	-1,537	951
Comprehensive income attributable to:				
Shareholder of the parent	-2,386	1,529	-1,339	930
Minority interests	-199	1	-198	21
	-2,585	1,530	-1,537	951

Amounts for the three and six month period ended 30 June 2013 have been restated to reflect the change in accounting policy as disclosed in the section 'Changes in accounting policies' on page 18.

Reference relates to the accompanying notes. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated statement of cash flows of ING Insurance

for the six month period

6 month period		1 January to 30 June	
amounts in millions of euros		2013	2012
Result before tax		1,011	199
Adjusted for	– depreciation	74	86
	– deferred acquisition costs and value of business acquired	2	–212
	– increase in provisions for insurance and investment contracts	–1,512	720
	– other	490	1,639
Taxation paid		5	51
Changes in	– trading assets	–9	–26
	– non-trading derivatives	316	221
	– other financial assets at fair value through profit and loss	1,771	241
	– loans and advances to customers	93	2,551
	– other assets	–18	–166
	– other financial liabilities at fair value through profit and loss	–3,469	29
	– other liabilities	–2,067	–714
Net cash flow from operating activities		–3,313	4,619
Investments and advances – available-for-sale investments		–33,945	–34,897
	– investments for risk of policyholders	–34,811	–29,891
	– other investments	–57	–133
Disposals and redemptions – group companies		1,422	
	– associates	200	
	– available-for-sale investments	33,122	29,776
	– investments for risk of policyholders	40,439	32,387
	– other investments	10	126
Net cash flow from investing activities		6,380	–2,632
Proceeds from borrowed funds and debt securities		5,706	22,026
Repayments of borrowed funds and debt securities		–7,245	–22,467
Proceeds of IPO ING U.S. 22		1,061	
Dividends 19		–775	
Other net cash flow from financing activities		11	–124
Net cash flow from financing activities		–1,242	–565
Net cash flow		1,825	1,422
Cash and cash equivalents at beginning of period		6,717	11,577
Effect of exchange rate changes on cash and cash equivalents		56	–96
Cash and cash equivalents at end of period		8,598	12,903
Cash and cash equivalents comprises the following items:			
Cash and bank balances		7,390	11,185
Cash and cash equivalents classified as Assets held for sale 5		1,208	1,718
Cash and cash equivalents at end of period		8,598	12,903

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

Condensed consolidated statement of changes in equity of ING Insurance

for the six month period

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholder's equity (parent)	Minority interests	Total
Balance at 1 January 2013	174	11,874	14,376	26,424	217	26,641
Remeasurement of the net defined benefit asset/liability 10			451	451	-65	386
Unrealised revaluations property in own use			-2	-2	1	-1
Unrealised revaluations available-for-sale investments and other			-4,046	-4,046	140	-3,906
Realised gains/losses transferred to the profit and loss account			-66	-66		-66
Changes in cash flow hedge reserve			-472	-472	-2	-474
Transfer to insurance liabilities/DAC			2,166	2,166	-229	1,937
Share of other comprehensive income of associates			26	26		26
Exchange rate differences and other			-331	-331	7	-324
Total amount recognised directly in equity (other comprehensive income)	0	0	-2,274	-2,274	-148	-2,422
Net result from continuing and discontinued operations			935	935	-50	885
Total comprehensive income	0	0	-1,339	-1,339	-198	-1,537
Employee stock option and share plans			18	18		18
Changes in the composition of the group and other changes					56	56
Impact of IPO ING U.S. 7			-1,958	-1,958	2,954	996
Dividends 19			-775	-775	-4	-779
Balance at 30 June 2013	174	11,874	10,322	22,370	3,025	25,395

Condensed consolidated statement of changes in equity of ING Insurance continued

for the six month period

amounts in millions of euros	Share capital	Share premium	Reserves	Total shareholder's equity (parent)	Minority interests	Total
Balance at 1 January 2012 (before change in accounting policy)	174	11,874	11,427	23,475	62	23,537
Effect of change in accounting policy ⁽¹⁾			-63	-63		-63
Balance at 1 January 2012 (after change in accounting policy)	174	11,874	11,364	23,412	62	23,474
Remeasurement of the net defined benefit asset/liability 10			-802	-802		-802
Unrealised revaluations property in own use			3	3		3
Unrealised revaluations available-for-sale investments and other			1,697	1,697		1,697
Realised gains/losses transferred to the profit and loss account			-111	-111		-111
Changes in cash flow hedge reserve			511	511		511
Transfer to insurance liabilities/DAC			-968	-968		-968
Share of other comprehensive income of associates			-12	-12		-12
Exchange rate differences and other			396	396	3	399
Total amount recognised directly in equity (other comprehensive income)	0	0	714	714	3	717
Net result from continuing and discontinued operations			216	216	18	234
Total comprehensive income	0	0	930	930	21	951
Employee stock option and share plans			30	30		30
Changes in the composition of the group and other changes					81	81
Dividends					-6	-6
Balance at 30 June 2012	174	11,874	12,324	24,372	158	24,530

⁽¹⁾ The change in accounting policy is disclosed in the section 'Changes in accounting policies' on page 18.

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

Notes to the condensed consolidated interim accounts

amounts in millions of euros, unless stated otherwise

1 BASIS OF PRESENTATION

These Condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and are consistent with those set out in the notes to the 2012 Consolidated Annual Accounts of ING Insurance, except for the amendments referred to below.

These Condensed consolidated interim accounts should be read in conjunction with the 2012 ING Insurance Consolidated Annual Accounts.

IFRS-EU provides a number of options in accounting policies. ING Insurance's accounting policies under IFRS-EU its decision on the options available are set out in the section 'Basis of presentation' in the 2012 ING Insurance Consolidated Annual Accounts.

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

In 2013, changes were made to the segment reporting as disclosed in Note 15 'Segments'.

The comparison of balance sheet items between 31 December 2012 and 30 June 2013 is impacted by the disposal of companies as disclosed in Note 16 'Acquisitions and disposals' and by the held for sale classification as disclosed in Note 5 'Assets and liabilities held for sale' and Note 20 'Discontinued operations'. Changes in assets and liabilities as a result of classification as held for sale are included in the notes in the line 'Changes in the composition of the group and other changes'.

The presentation of and certain terms used in these Condensed consolidated interim accounts has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the relevant notes when significant.

IPO OF ING U.S.

Insurance ING U.S. was successfully listed on the NYSE under the ticker symbol 'VOYA' in May 2013. The total proceeds of the IPO were EUR 1,061 million. As a result, ING's ownership interest in Insurance ING U.S. was reduced from 100% to 71.25%. The total proceeds received from the IPO represent a discount to Insurance ING U.S. book value, which has been accounted for in shareholder's equity. Insurance ING U.S. remains fully consolidated. The impact on shareholder's equity of the IPO was EUR 1,958 million. The IPO resulted in a minority interest in Equity of EUR 2,954 million.

CHANGES IN ACCOUNTING POLICIES

The following new and/or amended IFRS-EU standards were implemented by ING Insurance in 2013:

- Amendments to IAS 19 'Employee Benefits';
- Amendments to IAS 1 'Presentation of Financial Statements';
- Amendments to IFRS 7 'Financial instruments: Disclosures';
- IFRS 13 'Fair Value Measurement'.

Amendments to IAS 19 'Employee Benefits'

The most significant change in the revised IAS 19 'Employee Benefits' relates to the accounting for defined benefit pension obligations and the corresponding plan assets. The amendments require immediate recognition in Other comprehensive income (i.e. in equity) of changes in the defined benefit obligation and in the fair value of plan assets due to actuarial gains and losses. The deferral of actuarial gains and losses through the 'corridor approach', which was applied under the previous version of IAS 19 until the end of 2012, is no longer allowed. As a related consequence, deferred actuarial gains and losses are no longer released to the profit and loss account upon curtailment. Furthermore, the amendments require the expected return on plan assets to be determined using a high-quality corporate bond rate, equal to the discount rate of the defined benefit obligation; until the end of December 2012, management's best estimate was applied. The amendments also introduce a number of other changes and extended disclosure requirements. The implementation of the amendments to IAS 19 resulted in the recognition of accumulated actuarial gains and losses in equity as at 1 January 2013. As a result, Shareholder's equity decreased with EUR -0.9 billion (after tax) on 1 January 2013. The recognition of actuarial gains and losses in equity will create volatility in equity going forward. The changes in IAS 19 are implemented retrospectively; as a result, comparative amounts for previous periods have been restated and are presented as if the new requirements were always applied.

Notes to the Condensed consolidated interim accounts continued

The impact of changes in IAS 19 on previous reporting periods is as follows:

Impact on Shareholder's equity

	31 December 2012	30 June 2012	31 March 2012	1 January 2012
Shareholder's equity (before change in accounting policy)	27,299	25,166	23,531	23,475
Change in Other assets - net defined benefit asset	-805	-672	-648	221
Change in Other liabilities - net defined benefit liability	-414	-432	-332	-352
Change in Liabilities held for sale	-7	-5		
Change in net defined benefit asset/liability before tax	-1,226	-1,108	-980	-131
Tax effect	351	314	276	68
Shareholder's equity (after change in accounting policy)	26,424	24,372	22,827	23,412

Impact on Net result

	3 month period 1 April to 30 June 2012	6 month period 1 January to 30 June 2012
Net result from continuing operations (before change in accounting policy)	358	49
Impact on staff expenses - Pension and other staff-related benefit costs	82	102
Tax effect	-24	-29
Discontinued operations after tax	416	122
Net result from continuing and discontinued operations (after change in accounting policy)	347	216

Impact on Other comprehensive income

	3 month period 1 April to 30 June 2012	6 month period 1 January to 30 June 2012
Total amount recognised directly in equity (before change in accounting policy)	1,329	1,519
Remeasurement of the net defined benefit asset/liability	-208	-1,076
Tax effect	62	274
Total amount recognised directly in equity (after change in accounting policy)	1,183	717

Reference is made to Note 23 'Impact of change in accounting policy'.

Amendments to IAS 1 'Presentation of Financial Statements'

The amendments to IAS 1 'Presentation of Financial Statements' result in changes to the presentation in the Condensed consolidated statement of comprehensive income, including a split of other comprehensive income into items that may be recognised in the profit and loss account in future periods and items that will never be recognised in the profit and loss account. There is no impact on Shareholder's equity, Net result and/or Other comprehensive income.

Amendments to IFRS 7 'Financial instruments: Disclosures'

The amendments to IFRS 7 'Financial instruments: Disclosures' introduce additional disclosures on offsetting (netting) of financial instruments in the balance sheet and on the potential effect of netting arrangements. There is no impact on Shareholder's equity, Net result and/or Other comprehensive income. These additional disclosures will be included in the 2013 Consolidated Annual Accounts.

IFRS 13 'Fair Value Measurement'

IFRS 13 'Fair value measurement' brings together in one standard all guidance on how to determine fair value. It does not change the scope of assets/liabilities that are measured at fair value. ING Insurance's interpretation of fair value measurement is not significantly different from the guidance in IFRS 13. Therefore, the implementation of IFRS 13 'Fair Value Measurement' at 1 January 2013 did not have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income. In addition, IFRS 13 introduces an extended scope for the disclosure of the fair value hierarchy by level of fair value. In addition to the disclosures in these Condensed consolidated interim accounts additional disclosures will be included in the 2013 Annual Accounts.

Notes to the Condensed consolidated interim accounts *continued***UPCOMING CHANGES IN IFRS-EU AFTER 2013**

The following new or revised standards and interpretations will become effective for ING Insurance from 1 January 2014 (unless otherwise indicated), if and when endorsed by the EU:

- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements' and amendments to IAS 28 'Investments in Associates and Joint Ventures';
- IFRS 12 'Disclosure of Interests in Other Entities';
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Amendments to IAS 32 'Presentation - Offsetting Financial Assets and Financial Liabilities';
- Amendments to IAS 39 'Novation of Derivatives and continuation of Hedge Accounting; and
- IFRIC 21 'Levies'.

IFRS 10 'Consolidated Financial Statements'

IFRS 10 'Consolidated Financial Statements' introduces amendments to the criteria for consolidation. Similar to the current requirements, all entities controlled by ING Insurance will be included in the Consolidated Annual Accounts. However, IFRS 10 redefines control as being exposed to variable returns and having the ability to affect those returns through power over the investee. The implementation of IFRS 10 is not expected to have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income.

IFRS 11 'Joint Arrangements' and amendments to IAS 28 'Investments in Associates and Joint Ventures'

IFRS 11 'Joint Arrangements' and the related amendments to IAS 28 'Investments in Associates and Joint Ventures' eliminate the proportionate consolidation method for joint ventures that was applied by ING Insurance. Under the new requirements, all joint ventures will be reported using the equity method of accounting (similar to the current accounting for Investments in associates). The implementation of IFRS 11 is not expected to have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income.

IFRS 12 'Disclosure of Interests in Other Entities'

IFRS 12 'Disclosure of Interests in Other Entities' introduces extended disclosure requirements for subsidiaries, associates, joint ventures and structured entities. There will be no impact on Shareholder's equity, Net result and/or Other comprehensive income.

IFRS 9 'Financial Instruments'

In 2009, IFRS 9 'Financial Instruments' was issued. However, in December 2011 the International Accounting Standards Board decided to amend this standard and to postpone the mandatory application of IFRS 9 until at least 2015. This standard has not yet been endorsed by the EU and, therefore, is not yet part of IFRS-EU. Implementation of IFRS 9, if and when endorsed by the EU, may have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income.

2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss		
	30 June 2013	31 December 2012
Trading assets	597	586
Investments for risk of policyholders	99,566	98,765
Non-trading derivatives	3,331	5,107
Designated as at fair value through profit and loss	2,161	2,000
	105,655	106,458

3 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments		
	30 June 2013	31 December 2012
Equity securities	5,179	5,073
Debt securities	108,364	114,232
	113,543	119,305

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

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

Debt securities		
	30 June 2013	31 December 2012
Available-for-sale investments	108,364	114,232
Loans and advances to customers	6,350	6,323
Available-for-sale investments and At amortised cost	114,714	120,555
Trading assets	6	10
Investments for risk of policyholders	7,317	6,940
Designated as at fair value through profit and loss	1,214	1,096
Financial assets at fair value through profit and loss	8,537	8,046
	123,251	128,601

ING Insurance's total exposure to debt securities included in Available-for-sale investments and Assets at amortised cost is specified as follows by type of exposure:

Debt securities by type and balance sheet line (Available-for-sale investments and At amortised cost)						
	Available-for-sale investments		Loans and advances to customers		Total	
	30 June 2013	31 Decem- ber 2012	30 June 2013	31 Decem- ber 2012	30 June 2013	31 Decem- ber 2012
Government bonds	46,797	49,420			46,797	49,420
Covered bonds	856	996			856	996
Corporate bonds	41,170	43,072			41,170	43,072
Financial institution bonds	8,454	9,037			8,454	9,037
Bond portfolio (excluding ABS)	97,277	102,525	0	0	97,277	102,525
US agency RMBS	4,465	4,216			4,465	4,216
US prime RMBS	853	1,025			853	1,025
US Alt-A RMBS	267	284			267	284
US subprime RMBS	614	733			614	733
Non-US RMBS	190	215	3,561	3,745	3,751	3,960
CDO/CLO	112	130	229	290	341	420
Other ABS	1,272	1,440	2,145	1,997	3,417	3,437
CMBS	3,314	3,664	415	291	3,729	3,955
ABS portfolio	11,087	11,707	6,350	6,323	17,437	18,030
	108,364	114,232	6,350	6,323	114,714	120,555

2013 – Greece, Italy, Ireland, Portugal and Spain

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

At 30 June 2013, ING Insurance's balance sheet value of 'Government bonds' and Unsecured Financial institutions' bonds to Greece, Italy, Ireland, Portugal and Spain and the related pre-tax revaluation reserve in equity was as follows:

Notes to the Condensed consolidated interim accounts continued

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions ⁽¹⁾

30 June 2013

	Balance sheet value	Revaluation reserve (before tax)	Impairments (before tax)	Amortised cost value
Greece				
Government bonds available-for-sale	84	47		37
Italy				
Government bonds available-for-sale	1,362	39		1,323
Financial institutions available-for-sale	33	-3		36
Ireland				
Government bonds available-for-sale	57	4		53
Portugal				
Government bonds available-for-sale	7	-2		9
Financial institutions available-for-sale	27	1		26
Spain				
Government bonds available-for-sale	941	-42		983
Financial institutions available-for-sale	77			77
Total	2,588	44	0	2,544

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

The revaluation reserve on debt securities includes EUR 3,879 million (pre-tax) related to Government bonds. This amount comprises EUR 46 million positive revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain.

2012 – Greece, Italy, Ireland, Portugal and Spain

At 31 December 2012, ING Insurance's balance sheet value of 'Government bonds' and 'Unsecured Financial institutions' bonds to Greece, Italy, Ireland, Portugal and Spain and the related revaluation reserve (before tax) in equity was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions ⁽¹⁾

31 December 2012

	Balance sheet value	Revaluation reserve (before tax)	Impairments (before tax) ⁽²⁾	Amortised cost value
Greece				
Government bonds available-for-sale	76	40		36
Italy				
Government bonds available-for-sale	1,377	32		1,345
Financial institutions available-for-sale	51	-1		52
Ireland				
Government bonds available-for-sale	55	1		54
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	7	-3		10
Financial institutions available-for-sale	40	2		38
Spain				
Government bonds available-for-sale	872	-97		969
Financial institutions available-for-sale	96	-2	-11	109
Total	2,589	-28	-11	2,628

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

Notes to the Condensed consolidated interim accounts *continued*

The revaluation reserve on debt securities includes EUR 6,298 million (before tax) related to Government bonds. This amount comprises EUR 27 million negative revaluation reserve for government bonds from Greece, Italy, Ireland, Portugal and Spain, which is more than offset by EUR 6,325 million of positive revaluation reserves from government bonds from other countries.

On 21 July 2011 a Private Sector Involvement ('PSI') to support Greece was announced. This initiative involved a voluntary exchange of existing Greek government bonds together with a Buyback Facility. In the first quarter of 2012, the agreement under the PSI to exchange Greek Government bonds into new instruments was executed. Under this exchange, ING Insurance received new listed Greek Government bonds (for a notional amount of 31.5% of the notional of the exchanged bonds, maturities between 2023 and 2042), listed European Financial Stability Facility ('EFSF') notes (for a notional amount of 15% of the notional of the exchanged bonds, maturities of one to two years) and listed short-term EFSF notes (maturity of 6 months, in discharge of all unpaid interest accrued on the exchanged bonds). These new securities were recognised as available-for-sale instruments. Furthermore, ING Insurance received listed GDP-linked securities issued by Greece (notional equal to notional of the new Greek Government bonds, maturity 2042). The exchange was executed on 12 March 2012. The exchanged bonds were derecognised and the new instruments were recognised at fair value on the exchange date. The exchange resulted in a loss of EUR 7 million in 2012, being the difference between amortised cost (net of cumulative impairments) of the exchanged bonds and fair value of the new instruments at the date of exchange. This result was included in 'Investment income'.

Reference is made to Note 11 'Investment income' for impairments on available-for-sale debt securities. Further information on ING Insurance's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain is provided in Note 21 'Risk exposures Greece, Italy, Ireland, Portugal and Spain' and the Risk management section of the 2012 ING Insurance Consolidated Annual Accounts for more details on ING Insurance's risk exposures to Greece, Italy, Ireland, Portugal and Spain.

Reclassifications to Loans and advances to customers (2009)

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

Notes to the Condensed consolidated interim accounts continued

Reclassifications to Loans and advances to customers

	Q2 2009
As per reclassification date	
Fair value	6,135
Range of effective interest rates (weighted average)	1.4% - 24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in shareholder's equity (before tax)	-896
Recognised fair value gains (losses) in shareholder' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	173
Recognised fair value gains (losses) in shareholder's equity (before tax) in the year prior to reclassification	-971
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil
Recognised impairment (before tax) in the year prior to reclassification	nil
Impact on the financial periods after reclassification:	
2013	
Carrying value as at 30 June	1,407
Fair value as at 30 June	1,407
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 30 June	-153
Effect on shareholder's equity (before tax) as at 30 June if reclassification had not been made	nil
Effect on result (before tax) for as at 30 June if reclassification had not been made	nil
Effect on result (before tax) for the six month period ended 30 June (mainly interest income)	-17
Recognised impairments (before tax) for the six month period ended 30 June	nil
Recognised provision for credit losses (before tax) for the six month period ended 30 June	nil
2012	
Carrying value as at 31 December	1,694
Fair value as at 31 December	1,667
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	-186
Effect on shareholder's equity (before tax) if reclassification had not been made	-27
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) for the year (mainly interest income)	-47
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil
2011	
Carrying value as at 31 December	3,057
Fair value as at 31 December	2,883
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	-307
Effect on shareholder's equity (before tax) if reclassification had not been made	-174
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) for the year (mainly interest income)	90
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil
2010	
Carrying value as at 31 December	4,465
Fair value as at 31 December	4,594
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	-491
Effect on shareholder's equity (before tax) if reclassification had not been made	129
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) for the year (mainly interest income)	89
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil

Notes to the Condensed consolidated interim accounts continued

Reclassifications to Loans and advances to customers (continued)

	Q2 2009
2009	
Carrying value as at 31 December	5,550
Fair value as at 31 December	5,871
Unrealised fair value losses recognised in shareholder's equity (before tax) as at 31 December	-734
Effect on shareholder's equity (before tax) if reclassification had not been made	321
Effect on result (before tax) as at 31 December if reclassification had not been made	nil
Effect on result (before tax) after the reclassification until 31 December (mainly interest income)	121
Effect on result (before tax) for the year (mainly interest income)	n/a
Recognised impairments (before tax)	nil
Recognised provision for credit losses (before tax)	nil

4 INTANGIBLE ASSETS

Intangible assets

	30 June 2013	31 December 2012
Value of business acquired	736	513
Goodwill	273	277
Software	92	108
Other	111	120
	1,212	1,018

Allocation of Goodwill to reporting units

Goodwill is allocated to reporting units as follows:

Goodwill allocation to reporting units

	30 June 2013	31 December 2012
Insurance Central & Rest of Europe	110	114
ING Investment Management EurAsia	163	163
	273	277

No goodwill impairment was recognised in the first half of 2013 (first half of 2012: nil).

5 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale includes disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed.

As at 30 June 2013 this relates to the remaining ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA businesses in corporate reinsurance ('Asia') and ING Insurance's mortgage business in Mexico. As at 31 December 2012 this related to ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA businesses in corporate reinsurance ('Asia').

In the first half of 2013, the divestments of ING's Insurance businesses in Hong Kong, Macau and Thailand, ING's investment management businesses in Malaysia and Thailand and ING Insurance joint ventures in South Korea and India closed.

Furthermore, other divestments were agreed that are expected to close after 30 June 2013, including ING's investment management businesses in South Korea, which remain classified as held for sale as at 30 June 2013. 'Reference is made to Note 16 'Acquisitions and disposals'.

In addition, some other businesses remain classified as held for sale, for which no divestments have yet been concluded; this includes mainly ING's Japanese and Korean insurance businesses and Taiwanese investment management business.

Notes to the Condensed consolidated interim accounts *continued*

ING Insurance continues to discuss various options for ING Life Japan, including its closed block VA business. However, the closing of sales of ING Insurance's other Asian insurance units may trigger a charge to strengthen reserves for the Japanese closed block VA under ING Insurance's reserve adequacy policy. ING Insurance measures reserve adequacy at the business line level, where excess reserves in other Asian business units currently offset a shortfall related to the Japanese closed block VA. As transactions close, if the aggregate reserves for the remaining businesses fall below a 50% confidence level, the shortfall must be recognised immediately in the profit and loss account. The reserve inadequacy for the Japanese insurance business, including the VA guarantees reinsured to ING Re, was approximately EUR 0.1 billion at the 50% confidence level at 30 June 2013. This is an inadequacy of approximately EUR 0.6 billion for the closed block VA, offset by a sufficiency of EUR 0.5 billion for the corporate-owned life insurance business. The nature and timing of any profit and loss charge from such reserve inadequacy depends on the closing of other divestments in Asia as well as various options currently under investigation for ING Life Japan. Further announcements will be made if and when appropriate. The above mentioned amounts refer to ING Insurance's reserve adequacy policy under IFRS-EU which does not affect the local solvency positions of ING Life Japan nor ING Re.

Assets held for sale		
	30 June 2013	31 December 2012
Cash and cash equivalents	1,208	1,328
Financial assets at fair value through profit and loss	21,970	26,688
Available-for-sale investments	18,459	24,805
Loans and advances to customers	2,430	2,084
Reinsurance contracts	27	98
Investments in associates	26	37
Property and equipment	22	33
Intangible assets	82	176
Deferred acquisition costs	3,974	5,124
Other assets	783	1,318
	48,981	61,691

Liabilities held for sale		
	30 June 2013	31 December 2012
Debt securities	78	
Other borrowed funds	638	
Insurance and investments contracts	40,955	51,198
Financial liabilities at fair value through profit and loss	1,209	2,073
Other liabilities	2,053	2,380
	44,933	55,651

Included in Shareholder's equity is cumulative Other comprehensive income of EUR 640 million (2012: EUR 1,585 million) related to Assets and liabilities held for sale.

Other potential divestments

In addition to the businesses presented as held for sale above, ING Insurance is considering potential divestments, including those that are listed under the European Commission Restructuring Plan in Note 31 'Related parties' in the 2012 ING Insurance Consolidated Annual Accounts. However, none of these businesses qualify as held for sale as at 30 June 2013 as the potential divestments are not yet available for immediate sale in their present condition and/or a sale is not yet highly probable to occur.

Goodwill

Intangible assets under Assets held for sale includes goodwill that relates to businesses that are classified as held for sale. For businesses classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal group that is presented as held for sale.

Remaining goodwill in Assets held for sale amounts to EUR 45 million and relates mainly to Investment Management Taiwan. This goodwill is expected to be recovered through divestment proceeds at or above IFRS-EU carrying value.

Notes to the Condensed consolidated interim accounts continued

Fair value hierarchy

The fair value hierarchy of financial assets and liabilities (measured at fair value), which are presented as held for sale is included below. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 17 'Fair value of financial assets and liabilities'.

Methods applied in determining fair values of financial assets and liabilities – Held for sale

	30 June 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	16			16
Investments for risk of policyholders	20,128			20,128
Non-trading derivatives	4	1,359		1,363
Financial assets designated as at fair value through profit and loss		463		463
Available-for-sale investments	14,316	4,040	103	18,459
	34,464	5,862	103	40,429
Liabilities				
Non-trading derivatives	44	1,165		1,209
Investment contracts (for contracts at fair value)	108			108
	152	1,165	0	1,317

Methods applied in determining fair values of financial assets and liabilities – Held for sale

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	18			18
Investments for risk of policyholders	22,452		116	22,568
Non-trading derivatives		1,447		1,447
Financial assets designated as at fair value through profit and loss		2,640	15	2,655
Available-for-sale investments	16,180	8,386	239	24,805
	38,650	12,473	370	51,493
Liabilities				
Non-trading derivatives	287	1,786		2,073
Investment contracts (for contracts at fair value)	95			95
	382	1,786	0	2,168

6 OTHER ASSETS**Other assets by type**

	30 June 2013	31 December 2012
Reinsurance and insurance receivables	1,724	1,763
Deferred tax assets	239	76
Property development and obtained from foreclosures	15	72
Income tax receivable	54	44
Accrued interest and rents	2,189	2,448
Other accrued assets	975	1,040
Net defined benefit assets	1,142	670
Other	1,061	926
	7,399	7,039

Reference is made to Note 10 'Other liabilities' for information on the Net defined benefit assets.

Notes to the Condensed consolidated interim accounts continued

7 EQUITY

Equity		
	30 June 2013	31 December 2012
Share capital	174	174
Share premium	11,874	11,874
Revaluation reserve	5,586	8,334
Currency translation reserve	-595	-332
Net defined benefit asset/liability remeasurement reserve	-549	-1,000
Other reserves	5,880	7,374
Shareholder's equity (parent)	22,370	26,424
Minority interests	3,025	217
Total equity	25,395	26,641

Net defined benefit asset/liability remeasurement reserve

Reference is made to Note 10 'Other liabilities' for information on the amounts recognised directly in equity (other comprehensive income) related to the net defined benefit asset/liability remeasurement.

Other reserves

The change in Other reserves includes EUR 935 million from the Net result for the 6 month period ending 30 June 2013, EUR 775 million dividend paid to ING Groep N.V. and EUR -1,958 million (including EUR 19 million transaction cost after tax) from the Initial Public Offering ('IPO') of ING U.S., Inc, ING's U.S.-based retirement, investment and insurance business (ING U.S.), as explained in Note 22 'Important events and transactions'.

Minority interest

Minority interests increased with EUR 2,954 million due to the IPO of ING U.S., as explained in Note 22 'Important events and transactions'. This amount represents 28.75% of the net asset value under IFRS-EU of ING U.S.

ING U.S. Inc. – Balance sheet

2013	Interest held (%)	Total assets	Total liabilities	Total equity	Minority Interest
ING U.S. – total	100.00	158,498	148,659	9,839	
ING Insurance share	71.25			6,881	2,958

ING U.S. Inc. – Profit and loss account

2013	Interest held (%)	Total Income	Total Expense	Net Result	Minority Interest
ING U.S. – total	100.00	6,245	6,519	-317	
ING Insurance share	71.25			-261	-56

ING U.S. Inc. – Comprehensive income

2013	Interest held (%)	Comprehensive income	Minority Interest
ING U.S. – total	100.00	-1,027	
ING Insurance share	71.25	-732	-295

Reference is made to Note 15 'Segments' for detailed information on the underlying result of ING U.S.

8 DEBT SECURITIES IN ISSUE

In the first half of 2013, Debt securities in issue at Insurance ING U.S. increased by EUR 1.3 billion, reflecting recent debt offerings.

Notes to the Condensed consolidated interim accounts continued

2012 - Exchanges of certain debt securities

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

9 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS**Financial liabilities at fair value through profit and loss**

	30 June 2013	31 December 2012
Non-trading derivatives	2,983	3,258

10 OTHER LIABILITIES**Other liabilities by type**

	30 June 2013	31 December 2012
Deferred tax liabilities	1,209	1,284
Income tax payable	168	379
Net defined benefit liability	466	666
Other post-employment benefits	73	77
Other staff-related liabilities	177	254
Other taxation and social security contributions	119	101
Deposits from reinsurers	970	869
Accrued interest	515	593
Costs payable	680	702
Amounts payable to brokers	238	50
Amounts payable to policyholders	1,999	2,139
Reorganisation provision	241	275
Other provisions	69	84
Amounts to be settled	1,905	2,687
Other	781	1,094
	9,610	11,254

Net defined benefit asset/liability

The amounts included in the Condensed consolidated balance sheet arising from ING Insurance's obligations in respect of its defined benefit plans is as follows:

Summary of net defined benefit asset/liability

	30 June 2013	31 December 2012
Fair value of plan assets	7,445	7,542
Defined benefit obligation	6,769	7,538
Net defined benefit asset/(liability) recognised in the balance sheet	676	4
Presented as:		
– Other assets	1,142	670
– Other liabilities	466	–666
	676	4

Notes to the Condensed consolidated interim accounts continued

Changes in the fair value of the plan assets for the period were as follows:

Changes in fair value of plan assets		
	6 month period ended 30 June 2013	Year ended 31 December 2012
Opening balance	7,542	6,644
Interest income	141	353
Remeasurements: Return on plan assets excluding amounts included in interest income	-239	580
Employer's contribution	107	236
Participants' contributions	4	9
Benefits paid	-118	-230
Changes in the composition of the group and other changes	-1	-32
Exchange rate differences	9	-18
Closing balance	7,445	7,542

Changes in the present value of the defined benefit obligation for the period were as follows:

Changes in defined benefit obligation		
	6 month period ended 30 June 2013	Year ended 31 December 2012
Opening balance	7,538	5,803
Current service cost	64	102
Interest cost	136	299
Remeasurements: Actuarial gains and losses arising from financial assumptions	-857	1,814
Benefits paid	-117	-232
Changes in the composition of the group and other changes	3	-80
Effect of curtailment or settlement	-14	-133
Exchange rate differences	16	-35
Closing balance	6,769	7,538

2013 - Effect of curtailment

In the first half of 2013, the Effect of curtailment or settlement includes the curtailment of a pension plan in the Netherlands. This plan is closed for new pension rights and is replaced by a defined contribution plan.

2012 - Effect of curtailment - New pension scheme for employees in the Netherlands

In 2012, ING finalised its agreement on a new pension scheme for employees in the Netherlands, following acceptance by both the unions and their members. The new pension scheme will take effect on 1 January 2014 and will apply to the approximately 19,000 staff members in the Netherlands of ING Bank and WestlandUtrecht Bank as well as to the approximately 8,000 staff members in the Netherlands of Insurance/Investment Management (IM). Under the agreement, two new separate pension funds will be created, one for banking and one for Insurance/IM. The new scheme qualifies as a defined contribution under IFRS-EU and will replace the existing defined benefit scheme in the Netherlands.

At the start of the new defined contribution plan on 1 January 2014, the current defined benefit plan will stop accruing new pension benefits. Accruals built up under the defined benefit plan up to that date will remain valid. The change to the new pension scheme represents a curtailment under IFRS-EU and has resulted in a release of provisions previously taken by ING to cover estimated future liabilities in the existing defined benefit plan that are now no longer required. This release amounted to a one-off after tax gain of EUR 100 million (EUR 133 million before tax). The curtailment was included in the line Staff expenses in 2012. This curtailment related to the current defined benefit plan in The Netherlands, which represented approximately 75% of the above defined benefit obligation as at 31 December 2012.

Notes to the Condensed consolidated interim accounts continued

Amounts recognised directly in equity (Other comprehensive income) were as follows:

Remeasurement of the net defined benefit asset/liability			
	3 month period ended 30 June 2013	6 month period ended 30 June 2013	Year ended 31 December 2012
Remeasurement of plan assets	-310	-239	580
Actuarial gains and losses arising from changes in financial assumptions	367	857	-1,814
Taxation	35	-232	322
	92	386	-912

The amount of the remeasurement of the net defined benefit asset/liability in the first half of 2013 was mainly a result of the change in the high quality corporate bond rate during the first half of 2013. The weighted average discount rate as at 30 June 2013 was 4.5% (31 December 2012: 3.8%). The change in this rate impacts both the Remeasurement of plan assets and Actuarial gains and losses arising from changes in financial assumptions.

The accumulated amount of remeasurements recognised directly in Other comprehensive income (equity) is EUR -782 million (EUR -614 million after tax) as at 30 June 2013 (31 December 2012: EUR -1,395 million, EUR -1,000 million after tax).

11 INVESTMENT INCOME

Investment income	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Income from real estate investments	14	14	26	30
Dividend income	80	100	107	140
Income from investments in debt securities	1,014	1,434	2,117	2,557
Income from loans	331	412	654	799
Realised gains/losses on disposal of debt securities	22	-10	83	-35
Impairments of available-for-sale debt securities	-6	-22	-7	-27
Reversal of impairments of available-for-sale debt securities			2	
Realised gains/losses on disposal of equity securities	10	43	87	203
Impairments of available-for-sale equity securities	-44	-47	-102	-57
Change in fair value of real estate investments	-3	-3	-11	-37
	1,418	1,921	2,956	3,573

In the first half of 2012, impairments include a EUR 11 million on Spanish financial institution bonds. A loss of EUR 7 million was recognised in the first half of 2012 in 'Realised gains/losses on disposal of debt securities' resulting from the exchange of the Greek government bonds.

Reference is made to Note 3 'Available-for-sale investments'.

Notes to the Condensed consolidated interim accounts continued

Impairments/ reversals of impairments on investments per segment

	Impairments		Reversal of impairments	
	1 April to 30 June		1 April to 30 June	
	2013	2012	2013	2012
3 month period				
Insurance Benelux	-42	-59		
Insurance US	-7	-9		
Corporate line EurAsia	-1	-1		
	-50	-69	0	0

Impairments/ reversals of impairments on investments per segment

	Impairments		Reversal of impairments	
	1 January to 30 June		1 January to 30 June	
	2013	2012	2013	2012
6 month period				
Insurance Benelux	-98	-70		
Insurance US	-9	-13	2	
Corporate line EurAsia	-2	-1		
	-109	-84	2	0

12 OTHER INCOME

Other income

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Result on disposal of group companies	-58		-58	
Valuation results on non-trading derivatives	-702	799	-1,696	-842
Net trading income	41	-82	2	-33
Result from associates	49	9	73	43
Other	22	-20	31	-13
	-648	706	-1,648	-845

Result on disposal of group companies

In the first half of 2013, Result on disposal of group companies is the expected result on the sale of ING Hipotecaria as disclosed in Note 16 'Acquisition and disposals'.

Valuation result on non-trading derivatives

Included in Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge exposures in insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in Insurance contract liabilities, which are included in Underwriting expenditure. Reference is made to Note 13 'Underwriting expenditure'.

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

Result from associates

In the half of 2013, Result from associates includes EUR 45 million for the sale of approximately 7.9% interest in Sul América S.A. as disclosed in Note 22 'Important events and transactions'.

Notes to the Condensed consolidated interim accounts continued

13 UNDERWRITING EXPENDITURE**Underwriting expenditure**

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Gross underwriting expenditure:				
– before effect of investment result for risk of policyholders	5,126	7,212	11,440	13,506
– effect of investment result risk of policyholders	-51	-1,640	4,794	5,437
	5,075	5,572	16,234	18,943
Investment result for risk of policyholders	51	1,640	-4,794	-5,437
Reinsurance recoveries	-482	-614	-966	-1,049
Underwriting expenditure	4,644	6,598	10,474	12,457

Underwriting expenditure by class

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Expenditure from life underwriting				
Reinsurance and retrocession premiums	384	444	788	842
Gross benefits	5,924	6,771	11,813	12,722
Reinsurance recoveries	-479	-611	-962	-1,044
Change in life insurance provisions	-1,710	-705	-2,744	-1,863
Costs of acquiring insurance business	169	213	307	400
Other underwriting expenditure	139	145	307	300
Profit sharing and rebates	-42	61	-39	103
	4,385	6,318	9,470	11,460
Expenditure from non-life underwriting				
Reinsurance and retrocession premiums	14	5	29	29
Gross claims	273	269	541	545
Reinsurance recoveries	-2	-2	-4	-4
Change in provision for unearned premiums	-104	-116	251	237
Change in claims provision	-15	38	45	78
Costs of acquiring insurance business	65	66	132	132
Other underwriting expenditure			1	1
	231	260	995	1,018
Expenditure from investment contracts				
Costs of acquiring investment contracts		1		1
Other changes in investment contract liabilities	28	19	9	-22
	28	20	9	-21
	4,644	6,598	10,474	12,457

Notes to the Condensed consolidated interim accounts continued

14 STAFF EXPENSES

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Salaries	336	363	663	694
Pension costs	21	-120	54	-112
Other staff-related benefit costs	-2	7	1	19
Social security costs	34	36	76	78
Share-based compensation arrangements	-4	16	20	27
External employees	48	57	102	100
Education	3	5	6	10
Other staff costs	19	-49	39	-33
	455	315	961	783

Amounts recognised in 'Pension costs' were as follows:

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Current service cost	33	24	64	44
Net interest result	-2	-15	-5	-30
Effect of curtailment or settlement	-14	-133	-14	-133
Defined benefit plans	17	-124	45	-119
Defined contribution plans	4	4	9	7
	21	-120	54	-112

In the first half of 2013 and 2012, curtailments were recognised due to changes in various pension plans. Reference is made to Note 10 'Other liabilities' for information on pensions.

15 SEGMENTS

ING Insurance's segments relate to the internal segmentation by business lines. As of 2013, the former segment ING Investment Management is split in Investment Management EurAsia and Investment Management US. The comparatives have been adjusted to reflect the new segment structure for insurance operations. ING Insurance identifies the following segments:

Segments of ING Insurance

Insurance Benelux
Insurance Central & Rest of Europe (CRE)
Investment Management EurAsia
Insurance United States (US)
Investment Management US
Insurance US Closed Block VA

The Management Board of ING Insurance Eurasia N.V. and the Board of ING U.S., Inc. set the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Management Board of ING Insurance Eurasia N.V. and the Board of ING U.S., Inc.

Except for the changes described in Note 1 'Basis of presentation', the accounting policies of the segments are the same as those described under 'Accounting policies for the consolidated annual accounts of ING' in the 2012 Consolidated annual accounts of ING Insurance. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, and/or on the basis of income/assets of the segment.

Notes to the Condensed consolidated interim accounts *continued*

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

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

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

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

In addition to these segments, ING Insurance reconciles the total segment results to the total result of ING Insurance EurAsia and ING U.S. using the Corporate Line EurAsia, US and Insurance Other. The Corporate lines of the insurance business contain items related to capital management, run-off portfolios, Corporate Reinsurance and remaining activities in Latin America.

Segments Insurance

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Underlying income				
– Gross premium income	4,479	4,811	10,264	10,934
– Commission income	395	360	761	707
– Total investment and other income	782	2,626	1,321	2,728
Total underlying income	5,655	7,798	12,345	14,369
Underlying expenditure				
– Underwriting expenditure	4,644	6,572	10,474	12,431
– Operating expenses	794	794	1,609	1,594
– Other interest expenses	104	123	205	237
– Other impairments	4	8	7	12
Total underlying expenses	5,546	7,497	12,295	14,274
Underlying result before taxation	109	301	50	95
Taxation	86	–76	100	–116
Minority interests	–44		–48	18
Underlying net result	66	377	–2	193

Notes to the Condensed consolidated interim accounts continued

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

3 month period 1 April to 30 June 2013	Income		Expenses		Net result	
	2013	2012	2013	2012	2013	2012
Underlying	5,655	7,798	5,546	7,497	66	377
Divestments	-12			18	-12	-11
Special items			25	-69	-19	50
IFRS-EU (continuing operations)	5,643	7,799	5,571	7,447	35	416
Net result from discontinued operations	1,045	3,035	1,167	3,053	-98	111
Net result from classification as discontinued operations						-180
Net result from disposal of discontinued operations					-4	
IFRS-EU (continuing and discontinued operations)	6,688	10,834	6,738	10,499	-67	347

Divestments in the second quarter of 2013 mainly reflect the sale of part of ING Insurance's stake in Sul América S.A. and the sale of ING Hipotecaria, ING Insurance's mortgage business in Mexico.

Special items in the second quarter of 2013 is primarily related to the previously announced restructuring programmes which is partly offset by the pension curtailment in the Netherlands.

Special items in the second quarter of 2012 includes mainly the impact (after tax) of the new pension scheme for employees in the Netherlands as disclosed in Note 10 'Other liabilities' which is partially offset by costs related to restructuring programmes and separation expenses.

Reference is made to Note 21 'Discontinued operations' for information on discontinued operations.

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

6 month period 1 January to 30 June 2013	Income		Expenses		Net result	
	2013	2012	2013	2012	2013	2012
Underlying	12,345	14,369	12,295	14,274	-2	193
Divestments	-12		1	18	-13	-11
Special items			61	77	-49	-61
IFRS-EU (continuing operations)	12,333	14,369	12,357	14,369	-64	122
Net result from discontinued operations	2,342	4,480	2,248	4,281	58	274
Net result from classification as discontinued operations						-180
Net result from disposal of discontinued operations					941	
IFRS-EU (continuing and discontinued operations)	14,675	18,849	14,606	18,650	935	216

Divestments in the first half of 2013 mainly reflect the sale of part of ING Insurance's stake in Sul América S.A. and the sale of ING Hipotecaria, ING Insurance's mortgage business in Mexico.

Special items in the first half of 2013 is primarily related to the previously announced restructuring programmes which is partly offset by the pension curtailment in the Netherlands.

Special items in the first half of 2012 includes costs related to restructuring programmes and separation expenses and an offsetting impact (after tax) of the new pension scheme for employees in the Netherlands as disclosed in Note 10 'Other liabilities'.

Reference is made to Note 20 'Discontinued operations' for information on discontinued operations.

ING Insurance analyses the underlying result through a margin analysis, which includes the following components:

- Operating result; and
- Non-operating items.

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

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

Notes to the Condensed consolidated interim accounts *continued*

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

The operating result for the life insurance business is also broken down in expenses and the following sources of income:

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

Segments Insurance				
3 month period 1 April to 30 June 2013	Insurance EurAsia	Insurance ING U.S.	Insurance Other	Total Insurance
Investment margin	194	253		447
Fees and premium based revenues	351	450		802
Technical margin	105	21		127
Income non-modelled life business	11			11
Life & ING IM operating income	663	725	0	1,387
Administrative expenses	279	324		603
DAC amortisation and trail commissions	95	221		316
Life & ING IM expenses	374	545	0	919
Life & ING IM operating result	289	179	0	468
Non-life operating result	45			45
Corporate Line operating result	-72	-40	-18	-130
Operating result	261	140	-18	383
Gains/losses and impairments	-15	-3		-18
Revaluations	5	-113	2	-107
Market & other impacts	-63	-86		-149
Underlying result before tax	187	-62	-16	109
Taxation	49	44	-5	86
Minority interests	4	-48		-44
Underlying net result	135	-58	-11	66
Divestments			-12	-12
Special items	-10	-8	-1	-19
Net result from continuing operations	126	-66	-24	35
Net result from discontinued operations	-98			-98
Net result from disposal of discontinued operations	-4			-4
Net result from continuing and discontinued operations (before minority interests)	23	-66	-24	-67

Notes to the Condensed consolidated interim accounts continued

Segments Insurance EurAsia

3 month period 1 April to 30 June 2013	Insurance Benelux	Insurance CRE	Investment Manage- ment EurAsia	Corporate Line EurAsia	Total Insurance EurAsia
Investment margin	184	10			194
Fees and premium based revenues	125	109	117		351
Technical margin	69	36			105
Income non-modelled life business	6	6			11
Life & IM operating income	384	162	117	0	663
Administrative expenses	136	67	76		279
DAC amortisation and trail commissions	37	58			95
Life & IM expenses	173	125	76	0	374
Life & IM operating result	211	37	41	0	289
Non-life operating result	43	2			45
Corporate Line operating result				-72	-72
Operating result	254	38	41	-72	261
Gains/losses and impairments	-28	1		12	-15
Revaluations	8			-4	5
Market & other impacts	-63				-63
Underlying result before taxation	171	39	41	-64	187
Taxation	33	11	10	-5	49
Minority interests	2	2			4
Underlying net result	137	26	31	-59	135
Special items	-13	-3		6	-10
Net result from continuing operations	124	23	31	-53	126
Net result from discontinued operations					-98
Net result from disposal of discontinued operations					-4
Net result from continuing and discontinued operations (before minority interests)					23

Notes to the Condensed consolidated interim accounts continued

Segments Insurance ING U.S.					
3 month period 1 April to 30 June 2013	Insurance US	Investment Manage- ment US	Insurance US Closed Block VA	Corporate Line US	Total Insurance ING U.S.
Investment margin	249		4		253
Fees and premium based revenues	305	110	35		450
Technical margin	19		2		21
Life & IM operating income	573	110	42	0	725
Administrative expenses	218	83	23		324
DAC amortisation and trail commissions	180	1	41		221
Life & IM expenses	398	84	63	0	545
Life & IM operating result	175	27	-22	0	179
Corporate Line operating result				-40	-40
Operating result	175	27	-22	-40	140
Gains/losses and impairments	-3				-3
Revaluations	-100	-15	1		-113
Market & other impacts	5		-91		-86
Underlying result before taxation	77	12	-112	-40	-62
Taxation	-14	10	72	-25	44
Minority interests	11	-15	-43	-1	-48
Underlying net result	80	17	-141	-14	-58
Special items	-8				-8
Net result from continuing operations	71	17	-141	-14	-66

Notes to the Condensed consolidated interim accounts continued

Segments Insurance

3 month period 1 April to 30 June 2012	Insurance EurAsia	Insurance ING U.S.	Insurance Other	Total Insurance
Investment margin	196	278		475
Fees and premium based revenues	355	414		770
Technical margin	99	-7		92
Income non-modelled life business	11			11
Life & ING IM operating income	662	686	0	1,348
Administrative expenses	288	328		616
DAC amortisation and trail commissions	98	220		318
Life & ING IM expenses	387	548	0	935
Life & ING IM operating result	276	138	0	413
Non-life operating result	36			36
Corporate Line operating result	-105	-36	22	-119
Operating result	207	102	22	331
Gains/losses and impairments	-60	6		-54
Revaluations	-22	53	-9	21
Market & other impacts	-230	234		3
Underlying result before tax	-105	394	12	301
Taxation	-31	-42	-4	-76
Minority interests				
Underlying net result	-75	436	16	377
Divestments	-9	18	-19	-11
Special items	63	-9	-3	50
Net result from continuing operations	-22	445	-6	416
Net result from discontinued operations	111			111
Net result from classification as discontinued operations	-180			-180
Net result from continuing and discontinued operations (before minority interests)	-90	445	-6	347

Notes to the Condensed consolidated interim accounts continued

Segments Insurance EurAsia

3 month period 1 April to 30 June 2012	Insurance Benelux	Insurance CRE	Investment Manage- ment EurAsia	Corporate Line EurAsia	Total Insurance EurAsia
Investment margin	180	15	2		196
Fees and premium based revenues	143	103	109		355
Technical margin	56	43			99
Income non-modelled life business	6	5			11
Life & IM operating income	385	166	111	0	662
Administrative expenses	142	68	78		288
DAC amortisation and trail commissions	44	54			98
Life & IM expenses	187	122	78	0	387
Life & IM operating result	199	44	33	0	276
Non-life operating result	34	2			36
Corporate Line operating result				-105	-105
Operating result	233	47	33	-105	207
Gains/losses and impairments	-50	-13		3	-60
Revaluations	-44	20		1	-22
Market & other impacts	-229			-1	-230
Underlying result before taxation	-91	53	33	-101	-105
Taxation	-34	16	9	-20	-31
Minority interests	-2	2			0
Underlying net result	-54	36	24	-81	-75
Divestments	-19			10	-9
Special items	-24	-5	-1	92	63
Net result from continuing operations	-98	31	24	21	-22
Net result from discontinued operations					111
Net result from classification as discontinued operations					-180
Net result from continuing and discontinued operations (before minority interests)					-90

Notes to the Condensed consolidated interim accounts continued

Segments Insurance ING U.S.

3 month period 1 April to 30 June 2012	Insurance US	Investment Management US	Insurance US Closed Block VA	Corporate Line US	Total Insurance ING U.S.
Investment margin	283		-4		278
Fees and premium based revenues	298	92	24		414
Technical margin	-8				-7
Life & IM operating income	573	92	21	0	686
Administrative expenses	221	80	27		328
DAC amortisation and trail commissions	183	1	37		220
Life & IM expenses	404	80	64	0	548
Life & IM operating result	169	11	-43	0	138
Corporate Line operating result				-36	-36
Operating result	169	11	-43	-36	102
Gains/losses and impairments	6				6
Revaluations	41	10	1		53
Market & other impacts	-24		258		234
Underlying result before taxation	192	22	216	-36	394
Taxation	57	11	-96	-14	-42
Underlying net result	136	11	312	-22	436
Divestments				18	18
Special items	-9				-9
Net result from continuing operations	126	11	312	-4	445

Notes to the Condensed consolidated interim accounts continued

Segments Insurance				
6 month period 1 January to 30 June 2013	Insurance EurAsia	Insurance ING U.S.	Insurance Other	Total Insurance
Investment margin	321	517		838
Fees and premium based revenues	730	861		1,591
Technical margin	192	25		216
Income non-modelled life business	22			22
Life & ING IM operating income	1,264	1,402	0	2,667
Administrative expenses	574	656		1,230
DAC amortisation and trail commissions	197	437		633
Life & ING IM expenses	771	1,093	0	1,864
Life & ING IM operating result	494	309	0	803
Non-life operating result	42			42
Corporate Line operating result	-190	-83	24	-248
Operating result	346	226	24	596
Gains/losses and impairments	34	8		43
Revaluations	-5	-98	3	-100
Market & other impacts	-97	-392		-489
Underlying result before tax	277	-255	27	50
Taxation	69	46	-15	100
Minority interests	6	-54		-48
Underlying net result	204	-247	42	-2
Divestments			-12	-13
Special items	-31	-15	-4	-49
Net result from continuing operations	171	-262	26	-64
Net result from discontinued operations	58			58
Net result from disposal of discontinued operations	941			941
Net result from continuing and discontinued operations (before minority interests)	1,170	-262	26	935

Notes to the Condensed consolidated interim accounts continued

Segments Insurance EurAsia

6 month period 1 January to 30 June 2013	Insurance Benelux	Insurance CRE	Investment Manage- ment EurAsia	Corporate Line EurAsia	Total Insurance EurAsia
Investment margin	298	22	1		321
Fees and premium based revenues	294	211	226		730
Technical margin	116	75			192
Income non-modelled life business	11	11			22
Life & IM operating income	719	318	227	0	1,264
Administrative expenses	284	135	155		574
DAC amortisation and trail commissions	83	113			197
Life & IM expenses	367	249	155	0	771
Life & IM operating result	352	70	72	0	494
Non-life operating result	39	3			42
Corporate Line operating result				-190	-190
Operating result	391	72	72	-190	346
Gains/losses and impairments	12	1		21	34
Revaluations	-2			-3	-5
Market & other impacts	-97				-97
Underlying result before taxation	304	73	72	-172	277
Taxation	56	17	18	-22	69
Minority interests	2	4			6
Underlying net result	247	52	54	-150	204
Special items	-29	-4		2	-31
Net result from continuing operations	218	48	54	-148	171
Net result from discontinued operations					58
Net result from disposal of discontinued operations					941
Net result from continuing and discontinued operations (before minority interests)					1,170

Notes to the Condensed consolidated interim accounts continued

Segments Insurance ING U.S.					
6 month period 1 January to 30 June 2013	Insurance US	Investment Manage- ment US	Insurance US Closed Block VA	Corporate Line US	Total Insurance ING U.S.
Investment margin	510		7		517
Fees and premium based revenues	593	209	59		861
Technical margin	22		3		25
Life & IM operating income	1,125	209	68	0	1,402
Administrative expenses	442	167	47		656
DAC amortisation and trail commissions	356	1	79		437
Life & IM expenses	799	168	126	0	1,093
Life & IM operating result	326	41	-58	0	309
Corporate Line operating result				-83	-83
Operating result	326	41	-58	-83	226
Gains/losses and impairments			8		8
Revaluations	-82	-18	2		-98
Market & other impacts	22		-413		-392
Underlying result before taxation	267	22	-461	-83	-255
Taxation	40	17	25	-36	46
Minority interests	11	-21	-43	-1	-54
Underlying net result	216	26	-443	-45	-247
Special items	-15				-15
Net result from continuing operations	201	26	-443	-45	-262

Notes to the Condensed consolidated interim accounts continued

Segments Insurance

6 month period 1 January to 30 June 2012	Insurance EurAsia	Insurance ING U.S.	Insurance Other	Total Insurance
Investment margin	352	548		900
Fees and premium based revenues	743	822		1,565
Technical margin	180	-6		175
Income non-modelled life business	20			20
Life & ING IM operating income	1,295	1,364	0	2,659
Administrative expenses	593	648		1,241
DAC amortisation and trail commissions	212	430		642
Life & ING IM expenses	805	1,079	0	1,884
Life & ING IM operating result	490	285	0	776
Non-life operating result	49			49
Corporate Line operating result	-199	-64	55	-208
Operating result	340	221	55	616
Gains/losses and impairments	-2	40		39
Revaluations	-235	90	-11	-156
Market & other impacts	-248	-156		-404
Underlying result before tax	-144	195	44	95
Taxation	-69	-47		-116
Minority interests	18			18
Underlying net result	-94	242	44	193
Divestments	-9	18	-19	-11
Special items	-6	-21	-34	-61
Net result from continuing operations	-109	240	-9	122
Net result from discontinued operations	274			274
Net result from classification as discontinued operations	-180			-180
Net result from continuing and discontinued operations (before minority interests)	-15	240	-9	216

Notes to the Condensed consolidated interim accounts continued

Segments Insurance EurAsia

6 month period 1 January to 30 June 2012	Insurance Benelux	Insurance CRE	Investment Manage- ment EurAsia	Corporate Line EurAsia	Total Insurance EurAsia
Investment margin	324	26	2		352
Fees and premium based revenues	317	213	213		743
Technical margin	92	89			180
Income non-modelled life business	10	10			20
Life & IM operating income	743	336	215	0	1,295
Administrative expenses	287	150	155		593
DAC amortisation and trail commissions	102	110			212
Life & IM expenses	390	260	155	0	805
Life & IM operating result	354	77	60	0	490
Non-life operating result	46	3			49
Corporate Line operating result				-199	-199
Operating result	400	80	60	-199	340
Gains/losses and impairments	20	-29		7	-2
Revaluations	-251	21		-5	-235
Market & other impacts	-247			-1	-248
Underlying result before taxation	-78	72	60	-199	-144
Taxation	-68	22	18	-40	-69
Minority interests	14	4			18
Underlying net result	-24	46	43	-159	-94
Divestments	-19			10	-9
Special items	-73	-12	-1	80	-6
Net result from continuing operations	-116	34	42	-69	-109
Net result from discontinued operations					274
Net result from classification as discontinued operations					-180
Net result from continuing and discontinued operations (before minority interests)					-15

Notes to the Condensed consolidated interim accounts continued

Segments Insurance ING U.S.

6 month period 1 January to 30 June 2012	Insurance US	Investment Management US	Insurance US Closed Block VA	Corporate Line US	Total Insurance ING U.S.
Investment margin	547	-1	2		548
Fees and premium based revenues	585	187	50		822
Technical margin	-15		9		-6
Life & IM operating income	1,116	187	61	0	1,364
Administrative expenses	441	156	51		648
DAC amortisation and trail commissions	356	1	73		430
Life & IM expenses	797	157	124	0	1,079
Life & IM operating result	319	29	-63	0	285
Corporate Line operating result				-64	-64
Operating result	319	29	-63	-64	221
Gains/losses and impairments	24		16		40
Revaluations	76	15			90
Market & other impacts	-35		-121		-156
Underlying result before taxation	384	44	-168	-64	195
Taxation	115	21	-160	-24	-47
Minority interests					
Underlying net result	269	23	-8	-41	242
Divestments				18	18
Special items	-21				-21
Net result from continuing operations	248	23	-8	-23	240

Total assets and Total liabilities by segment

	30 June 2013		31 December 2012	
	Total assets	Total liabilities	Total assets	Total liabilities
<i>Insurance EurAsia</i>				
Insurance Benelux	95,506	84,235	97,894	86,198
Insurance CRE	11,465	10,187	13,074	11,725
Investment Management EurAsia	634	186	791	317
Insurance Asia/Pacific ⁽¹⁾	47,272	42,968	59,673	53,715
Corporate Line EurAsia ⁽¹⁾	32,658	15,770	37,776	18,624
<i>Insurance ING U.S.</i>				
Insurance US	121,124	109,769	121,145	109,038
Investment Management US	578	148	590	191
Insurance US Closed Block VA	39,129	36,828	39,476	37,272
Corporate Line US	12,401	2,744	12,973	2,808
<i>Insurance Other</i>	28,674	6,526	34,454	8,288
Total Insurance	389,441	309,361	417,846	328,176
Eliminations Insurance segments	-67,520	-12,835	-78,789	-15,760
Total Insurance operations	321,921	296,526	339,057	312,416

⁽¹⁾ Assets and liabilities from discontinued operations are included in the segment in which it was originally included.

Notes to the Condensed consolidated interim accounts *continued***16 ACQUISITIONS AND DISPOSALS****Acquisitions**

There were no acquisitions in the first half of 2013.

Disposals effective and announced disposals in 2013***ING's Insurance and investment management businesses in Asia***

In 2012, ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA business in corporate reinsurance were classified as held for sale and discontinued operations. Various individual divestment transactions have been agreed. The specifics of these transactions are included below. The Asian Insurance and Investment Management businesses and the (internally) reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific and Investment Management EurAsia and in the Corporate Line EurAsia before they were classified as discontinued operations. Reference is made to Note 5 'Assets and liabilities held for sale' and Note 20 'Discontinued operations'.

Joint venture China Merchants Fund

In October 2012, ING reached an agreement to sell its 33.3% stake in China Merchants Fund, an investment management joint venture, to its joint venture partners China Merchants Bank Co., Ltd., and China Merchants Securities Co., Ltd. ING received a total cash consideration of approximately EUR 98 million. At closing of the transaction, ING expects the transaction to realise a net gain of approximately EUR 64 million which will be recognised on closing of the transaction. This transaction is subject to regulatory approvals and is expected to close in the second half of 2013.

Insurance in Hong Kong, Macau, Thailand

In October 2012, ING reached an agreement to sell its life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand to Pacific Century Group for a combined consideration of USD 2.1 billion (approximately EUR 1.6 billion) in cash. The transaction closed on 28 February 2013. A net gain of EUR 945 million is recognised in the first quarter of 2013. ING Investment Management's funds management businesses in Hong Kong and Thailand are outside the scope of this transaction.

ING's investment management business in Thailand

In November 2012, ING reached an agreement to sell its investment management business in Thailand to UOB Asset Management Ltd. ING received a total cash consideration of EUR 10 million for the investment management business in Thailand. The transaction closed on 3 May 2013.

ING's investment management business in Malaysia

In December 2012, ING reached an agreement to sell its 70%-stake in ING Funds Berhad (IFB), ING's investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga). Tab Inter-Asia Services Sdn Berhad has also agreed to sell its 30% stake in IFB to Kenanga Investors. The transaction does not impact ING's other businesses in the region. The transaction closed on 19 April 2013.

Joint venture ING Vysya Life

In January 2013, ING agreed to sell its full interest in ING Vysya Life Insurance Company Ltd. to its joint venture partner Exide Industries Ltd. ING's exit from the Indian life insurance joint venture is part of the previously announced intended divestment of ING's Insurance and investment management businesses in Asia. The transaction resulted in a net loss of EUR 15 million which was recognised in 2012. The transaction closed on 22 March 2013.

Joint venture KB Life

In April 2013, ING agreed to sell its 49% stake in Korean insurance venture KB Life Insurance Company Ltd. (KB Life) to joint venture partner KB Financial Group. ING received a total cash consideration of KRW 166.5 billion (approximately EUR 115 million at current exchange rates) for its 49% stake in KB Life. The transaction closed on 20 June 2013.

Joint Venture ING-BOB Life

On 8 July 2013, ING Insurance announced that it has agreed to sell its 50% stake in its Chinese insurance joint venture ING-BOB Life Insurance Company to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction, which is subject to regulatory approval, is not expected to have a significant impact on ING Insurance results.

ING's investment management business in South Korea

In July 2013, ING Insurance announced that it has reached an agreement to sell its investment management business in South Korea to Macquarie Group, an Australia-based, global provider of financial services. The transaction is not expected to have a significant impact on ING Insurance results. Subject to regulatory approvals, it is expected to close in the second half of 2013.

ING's mortgage business in Mexico

ING Insurance reached an agreement to sell ING Hipotecaria, its mortgage business in Mexico, to Banco Santander (Mexico) S.A. This announcement does not affect ING's Commercial Banking activities in Mexico. This transaction resulted in a net loss of EUR 58 million which is recognised in the first half of 2013. Subject to regulatory approvals, the transaction is expected to close in the second half of 2013.

17 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair values of financial assets and liabilities represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date ('exit price'). The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values. Further information on the methods and assumptions that were used by ING Insurance to estimate the fair value of the financial instruments is disclosed in the 2012 ING Insurance Consolidated Annual Accounts in Note 32 'Fair value of financial assets and liabilities'.

The following table presents the estimated fair values of ING Insurance's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of ING Insurance.

Notes to the Condensed consolidated interim accounts continued

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Financial assets				
Cash and cash equivalent	7,390	5,389	7,390	5,389
Financial assets at fair value through profit and loss				
– trading assets	597	586	597	586
– investments for risk of policyholders	99,566	98,765	99,566	98,765
– non-trading derivatives	3,331	5,107	3,331	5,107
– designated as at fair value through profit and loss	2,161	2,000	2,161	2,000
Available-for-sale investments	113,543	119,305	113,543	119,305
Loans and advances to customers	25,914	26,873	25,073	25,823
Other assets ⁽¹⁾	5,950	6,177	5,950	6,177
	258,452	264,202	257,611	263,152
Financial liabilities				
Subordinated loans	2,932	2,894	2,958	2,947
Debt securities in issue	3,182	2,082	3,179	1,910
Other borrowed funds	3,932	7,458	3,929	7,442
Investment contracts for risk of company	4,515	4,624	4,470	4,561
Investment contracts for risk of policyholders	7,793	8,067	7,793	8,067
Financial liabilities at fair value through profit and loss				
– non-trading derivatives	2,983	3,258	2,983	3,258
Other liabilities ⁽²⁾	7,090	8,133	7,090	8,133
	32,427	36,516	32,402	36,318

⁽¹⁾ Other assets do not include (deferred) tax assets, net defined benefit assets and property development and obtained from foreclosures.

⁽²⁾ Other liabilities do not include (deferred) tax liabilities, net defined benefit liabilities, insurance provisions, prepayments received under property under development, share-based payment plans, other provisions and other taxation and social security contributions.

Fair value hierarchy

ING Insurance has categorised its financial instruments that are measured in the balance sheet at fair value into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an on-going basis. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include for example illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), private equity investments and investment in real estate funds. Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on the own assumptions of ING Insurance about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer. Further information on the fair value hierarchy is disclosed in the 2012 ING Insurance Consolidated Annual Accounts in Note 32 'Fair value of financial assets and liabilities'.

Notes to the Condensed consolidated interim accounts continued

The fair values of the financial instruments at fair value were determined as follows:

Methods applied in determining fair values of financial assets and liabilities

	30 June 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	11	47	539	597
Investments for risk of policyholders	93,896	5,491	179	99,566
Non-trading derivatives	34	3,230	67	3,331
Financial assets designated as at fair value through profit and loss	141	1,087	933	2,161
Available-for-sale investments	52,774	58,017	2,752	113,543
	146,856	67,872	4,470	219,198
Liabilities				
Non-trading derivatives	16	1,728	1,239	2,983
Investment contracts (for contracts at fair value)	3,787	3,990	16	7,793
	3,803	5,718	1,255	10,776

Methods applied in determining fair values of financial assets and liabilities

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	43	24	519	586
Investments for risk of policyholders	92,632	5,983	150	98,765
Non-trading derivatives	19	5,031	57	5,107
Financial assets designated as at fair value through profit and loss	70	1,037	893	2,000
Available-for-sale investments	59,737	56,671	2,897	119,305
	152,501	68,746	4,516	225,763
Liabilities				
Non-trading derivatives	171	1,901	1,186	3,258
Investment contracts (for contracts at fair value)	3,716	4,339	12	8,067
	3,887	6,240	1,198	11,325

Level 3 financial assets and liabilities

Financial assets measured at fair value in the balance sheet as at 30 June 2013 of EUR 219 billion include an amount of EUR 4.5 billion (2.0%) that is classified as Level 3 (31 December 2012: EUR 4.5 billion, being 2.0%). Changes in Level 3 from 31 December 2012 to 30 June 2013 are disclosed below in the table 'Changes in Level 3 Assets'.

Financial liabilities measured at fair value in the balance sheet as at 30 June 2013 of EUR 10.7 billion include an amount of EUR 1.3 billion (11.6%) that is classified as Level 3 (31 December 2012: EUR 1.2 billion, being 10.6%). Changes in Level 3 from 31 December 2012 to 30 June 2013 are disclosed below in the table 'Changes in Level 3 Liabilities'.

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets and liabilities for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on ING's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to ING's own unobservable inputs.

Notes to the Condensed consolidated interim accounts *continued*

Of the total amount of financial assets classified as level 3 as at 30 June 2013 of EUR 4.5 billion, an amount of EUR 3.7 billion (being 82%) are based on unadjusted quoted prices in inactive markets. This includes for example debt securities and shares in real estate investment funds and private equity investment funds for which the fair value is determined using quoted prices for the securities or quoted prices obtained from the asset managers of the funds. As ING does not adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

The remaining EUR 0.8 billion Level 3 financial assets includes mainly EUR 0.5 billion of private equity investments that are recognised at fair value. Fair value is determined using both market-based and investment-specific inputs. Although this fair value is inherently subjective, reasonably likely changes in inputs or assumptions would not have materially impacted the change in fair value recognised in profit and loss.

Liabilities in Level 3 for ING Insurance represent components of insurance contracts that are measured using certain market consistent inputs in line with IFRS 4 'Insurance contracts'. Although these components are presented separately and are disclosed above as level 3 fair values, these are not financial instruments but are part of the underlying insurance contracts which, as a whole, are measured in accordance with IFRS 4.

Changes in Level 3 Assets

6 months period ended 30 June 2013

	Trading assets	Investments for risk of policy-holders	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	519	150	57	893	2,897	4,516
Amounts recognised in the profit and loss account during the period	28	3	22	31	-38	46
Revaluation recognised in equity during the period					-25	-25
Purchase of assets	3	79	10	15	75	182
Sale of assets	-5	-38	-23	-4	-73	-143
Maturity/settlement				-39	-76	-115
Reclassifications					-1	-1
Transfers into Level 3		2			47	49
Transfers out of Level 3	-6	-9			-72	-87
Exchange rate differences		-6	1	8	4	7
Changes in the composition of the group and other changes		-2		29	14	41
Closing balance	539	179	67	933	2,752	4,470

Notes to the Condensed consolidated interim accounts continued

Changes in Level 3 Assets

Year ended 31 December 2012

	Trading assets	Investments for risk of policy-holders	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	403	141	165	1,423	3,473	5,605
Amounts recognised in the profit and loss account during the year	43	2	-91	-56	-74	-176
Revaluation recognised in equity during the year					-16	-16
Purchase of assets	6	83	19	123	218	449
Sale of assets	-4	-15	-11	-664	-80	-774
Maturity/settlement					-360	-360
Transfers into Level 3	107	67			199	373
Transfers out of Level 3	-39	-6	-23		-201	-269
Exchange rate differences		-6	-2	-17	-18	-43
Changes in the composition of the group and other changes	3	-116		84	-244	-273
Closing balance	519	150	57	893	2,897	4,516

Changes in Level 3 Liabilities

6 months period ended 30 June 2013

	Trading liabilities	Non-trading derivatives	Financial liabilities designated as at fair value through profit and loss	Investment contracts (for contracts at fair value)	Total
Opening balance		1,186		12	1,198
Amounts recognised in the profit and loss account during the period		42			42
Issue of liabilities				17	17
Early repayment of liabilities				-7	-7
Transfers into Level 3				2	2
Transfers out of Level 3				-8	-8
Exchange rate differences		11			11
Closing balance	0	1,239	0	16	1,255

Changes in Level 3 Liabilities

Year ended 31 December 2012

	Trading liabilities	Non-trading derivatives	Financial liabilities designated as at fair value through profit and loss	Investment contracts (for contracts at fair value)	Total
Opening balance		1,316		12	1,328
Amounts recognised in the profit and loss account during the year		-54			-54
Issue of liabilities		-1		12	11
Early repayment of liabilities		-34		-6	-40
Transfers into Level 3		-19		-6	-25
Exchange rate differences		-22			-22
Closing balance	0	1,186	0	12	1,198

Notes to the Condensed consolidated interim accounts continued

Amounts recognised in the profit and loss account during the period (Level 3)			
6 months period ended 30 June 2013			
	Held at balance sheet date	Derecognised during the period	Total
Assets			
Trading assets	28		28
Investments for risk of policyholders	4	-1	3
Non-trading derivatives	3	19	22
Financial assets designated as at fair value through profit and loss	31		31
Available-for-sale investments	-38		-38
	28	18	46
Liabilities			
Non-trading derivatives	42		42
	42	0	42

Amounts recognised in the profit and loss account during the period (Level 3)			
Year ended 31 December 2012			
	Held at balance sheet date	Derecognised during the period	Total
Assets			
Trading assets	42	1	43
Investments for risk of policyholders	3	-1	2
Non-trading derivatives	-97	6	-91
Financial assets designated as at fair value through profit and loss	-14	-42	-56
Available-for-sale investments	-82	8	-74
	-148	-28	-176
Liabilities			
Non-trading derivatives	-58	4	-54
	-58	4	-54

Recognition of unrealised gains and losses in Level 3

Amounts recognised in the profit and loss account relating to unrealised gains and losses during the period that relates to Level 3 assets and liabilities are included in the profit and loss account as follows:

- Results on trading assets and trading liabilities are included in Net trading income;
- Investments for risk of policyholders are included in Underwriting expenditure;
- Non-trading derivatives are included in Valuation results on non-trading derivatives; and
- Financial assets and liabilities designated as at fair value through profit and loss are included in Valuation results on non-trading derivatives.

Amounts recognised in Other comprehensive income relating to unrealised gains and losses during the period that relates to Available-for-sale assets are included in Reserves in the line Unrealised revaluations available-for-sale investments and other.

18 RELATED PARTIES

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

Notes to the Condensed consolidated interim accounts *continued*

Transactions with related parties (Joint ventures and associates) and Key management personnel compensation are disclosed in Note 31 'Related parties' in the 2012 ING Insurance Consolidated Annual Accounts. Following the transactions as disclosed in Note 31 'Related parties', the Dutch State is also a related party of ING Insurance. All other transactions between ING Insurance and the Dutch State are of a normal business nature and on an at arm's length basis. In 2012, the agreement with the Dutch State on the IABF was adjusted.

Under the amended terms of the Restructuring plan, the commercial operations of WestlandUtrecht Bank will be combined with the retail banking activities of Nationale-Nederlanden. The transaction involves a transfer of a portion of WestlandUtrecht Bank's Dutch mortgage portfolio and Dutch savings portfolio to Nationale-Nederlanden. This transaction was announced in November 2012 and completed on 1 July 2013 and included the transfer of EUR 3,996 million mortgages and EUR 3,702 million savings deposits.

In conjunction with the IPO of ING U.S. in May 2013, ING U.S. issued approximately 26 million warrants on ING U.S. shares with a strike price of USD 48.75 (250% of the IPO price) and an expiration date in May 2023 to ING Group. The fair value of these warrants at IPO date was EUR 63 million; this amount was recognised directly in Other reserves in Shareholders' equity at the date of the IPO. The fair value of these warrants at 30 June 2013 was EUR 106 million; the change in fair value in the period between IPO and 30 June 2013 of EUR 43 million was recognised in the profit and loss account in Other income - Valuation results on non-trading derivatives. The warrants are presented in the balance sheet in Liabilities at fair value through profit and loss.

No other significant changes in related party transactions occurred.

19 DIVIDEND PAID

ING Insurance had declared and paid dividend in the first half year of 2013 of EUR 775 million (2012: nil) to ING Groep N.V.

20 DISCONTINUED OPERATIONS**General**

ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA businesses in corporate reinsurance ('Asia') are classified as discontinued operations.

Total result from discontinued operations

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Net result from discontinued operations	-98	111	58	274
Net result from classification as discontinued operations		-180		-180
Net result from disposal of discontinued operations ⁽¹⁾	-4		941	
Total net result from discontinued operations	-102	-69	999	94

⁽¹⁾ The tax effect on the result on disposal of discontinued operations is nil.

Net result from discontinued operations

In 2013 and 2012, Net result from discontinued operations included the net result (after tax) of the businesses classified as discontinued operations and was presented separately in the profit and loss account. Result from discontinued operations was as follows:

Result from discontinued operations

	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2013	2012	2013	2012
Total income	1,045	3,035	2,342	4,480
Total expenses	1,167	2,873	2,248	4,101
Result before tax from discontinued operations	-122	162	94	379
Taxation	-24	51	36	105
Net result from discontinued operations	-98	111	58	274

Net result from classification as discontinued operations

In the first half of 2012, goodwill of EUR 180 million in Investment Management Korea was written off, as the related business is expected to be sold below IFRS-EU carrying value.

Notes to the Condensed consolidated interim accounts continued

Net result from disposal of discontinued operations

In the first half of 2013, Net result from disposal of discontinued operations includes mainly the divestment gain on the sale of the Insurance businesses in Hong Kong, Macau and Thailand of EUR 945 million.

Reference is made to Note 5 'Assets and liabilities held for sale' and Note 16 'Acquisitions and disposals'.

Net cash flow from discontinued operations

The net cash flow from discontinued operations was as follows:

	6 month period	
	1 January to 30 June	
	2013	2012
Operating cash flow	-460	2,156
Investing cash flow	484	-1,501
Financing cash flow	-228	-12
Net cash flow	-204	643

In the first half of 2013, sales proceeds in cash of EUR 1,422 million (first half of 2012: nil) were presented in the consolidated statement of cash flows under 'Net cash flow from investment activities - Disposals and redemptions: group companies' and is not included in the table above.

Segmentation prior to classification as discontinued operations

ING's Insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA businesses in corporate reinsurance were previously included respectively in the segments Insurance Asia/Pacific, Investment Management EurAsia and in the Corporate Line EurAsia before they were classified as discontinued operations and held for sale. The segment Insurance Asia/Pacific ceased to exist, following the classification as discontinued operations, as all activities previously included in this segment are now discontinued operations.

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

The table below provides information on ING Insurance's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain. Amounts represent risk exposure values. Exposures are included based on the country of residence, except for certain securitisations which are included based on the country of risk to better reflect the real country exposure. Credit default swap ('CDS') exposures in all countries are to Financial institutions.

	Greece, Italy, Ireland, Portugal and Spain – Total exposures ⁽¹⁾					
	30 June 2013					
	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	10				19	29
Corporate Lending		75	25			100
Financial institutions Lending	5				187	192
Total Lending	15	75	25	0	206	321
RMBS	29	282	95	105	329	840
Other ABS		21	101		109	231
Corporate Bonds		500	614	27	325	1,466
Covered Bonds		9	5		444	458
Financial institutions Bonds (unsecured)		52	23	26	77	178
Government Bonds	38	1,323	53	5	983	2,402
Total Debt Securities	67	2,187	891	163	2,267	5,575
Real Estate	21	245		207	313	786
Total risk exposure	102	2,507	916	370	2,786	6,681

⁽¹⁾ ING Insurance/IIM has no credit risk linked to Cyprus.

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

Notes to the Condensed consolidated interim accounts *continued*

ING Insurance's total exposure to the GIIPS countries was reduced by EUR 0.5 billion in the first half of 2013. This decrease was due to a EUR 0.4 billion reduction in debt securities to EUR 5.6 billion. Although the planned de-risking were finalised in 2012, ING Insurance will continue to actively manage its investment portfolio.

ING Insurance's main reduction in the GIIPS exposure was in Spain. The exposure to Spain was reduced by EUR 0.2 billion in the first half of 2013. The lending book declined by EUR 0.7 billion and the debt securities by EUR 0.9 billion. The decrease in the debt securities portfolio was due mainly to redeeming bonds.

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

	31 December 2012					
	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	12				19	31
Corporate Lending		50	25			75
Financial institutions Lending	7				254	262
Total Lending	19	50	25	0	273	367
RMBS	30	330	198	110	351	1,019
Other ABS		32	175		136	343
Corporate Bonds		477	627	27	316	1,447
Covered Bonds		18	15		507	540
Financial institutions Bonds (unsecured)		52	36	38	82	208
Government Bonds	36	1,345	53	5	967	2,406
Total Debt Securities	66	2,254	1,104	180	2,359	5,963
Real Estate	21	275		217	342	855
Total risk exposure	106	2,579	1,129	397	2,974	7,185

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

22 IMPORTANT EVENTS AND TRANSACTIONS**Sul América S.A.**

In the first half of 2013, ING Insurance agreed two transactions to reduce its 36.5% stake in Sul América S.A. In February 2013, ING announced they had agreed to reduce its 36.5% to just under 30% through a transaction with the Larragoiti Family, which is the majority shareholder in Sul América S.A. This transaction is not expected to have a significant impact on ING Insurance results. Subject to regulatory approvals, the transaction is expected to close in the second half of 2013.

In May 2013, ING announced they had agreed to sell a further part of its stake in Sul América S.A. to International Finance Corporation (IFC). ING agreed to sell approximately 7.9% of outstanding shares for a total consideration of EUR 140 million. The transaction closed on 14 June 2013.

Upon closing of both transactions, ING Insurance's equity interest in Sul América S.A. will be reduced to approximately 21.5%. The market value of the remaining stake is approximately EUR 340 million based on the closing share price of 13 June 2013 (BRL 13.43) and current exchange rates. ING Insurance will consider options for the divestment of its remaining 21.5% stake as and when appropriate.

IPO of ING U.S., Inc.

In May 2013, ING sold approximately 65.2 million ordinary shares in the Initial Public Offering ('IPO') of ING U.S., Inc., its U.S.-based retirement, investment and insurance business ('ING U.S.'). Furthermore, on 29 May 2013, the underwriters of the IPO exercised in full their option to purchase approximately 9.8 million additional shares of ING U.S. from ING Insurance.

The total proceeds of these transactions were EUR 1,061 million (USD 1,385 million). The IPO reduced the ownership of ING Insurance in ING U.S. from 100% to 71.25%.

Notes to the Condensed consolidated interim accounts *continued*

These transactions did not impact the profit and loss account of ING Insurance, as ING U.S. will continue to be fully consolidated by ING Insurance. The transactions had a negative impact of approximately EUR 1,958 million on Shareholder's equity (parent) of ING Insurance, including EUR 19 million transaction costs after tax. This amount reflects the difference between the net proceeds of this offering to ING Insurance and the IFRS-EU book value of the 28.75% stake divested in this IPO. This amount is recognised in 'Other reserves'.

Minority interests increased with EUR 2,954 million due to the IPO of ING U.S. This amount represents 28.75% of the net asset value under IFRS-EU of ING U.S.

As a result, the total impact on ING Insurance's Total equity is EUR 996 million.

ING Group is divesting its insurance and investment management businesses as part of the amended Restructuring Plan agreed with the European Commission. Following the IPO, ING intends to divest its remaining stake in ING U.S. over time, in line with the timeline set out in the amended Restructuring Plan. The sale of any remaining shares is subject to a lock-up period of 180 days. Further information on the amended Restructuring Plan is disclosed in the 2012 ING Insurance Consolidated Annual Accounts in Note 31 'Related parties'.

23 IMPACT OF CHANGE IN ACCOUNTING POLICY

This note provides more information on the change in accounting policy as a result of the implementation of the revised IAS 19 'Employee Benefits' accounting standard and how this change affects the financial information of the opening balance sheet of the comparative year. Reference is made to the section 'Changes in accounting policies' on page 18 for more details on the impact of this change in accounting policy.

As of 1 January 2013, ING Insurance's accounting policy for pension obligations is as follows:

Employee benefits – pension obligations

ING Insurance companies operate various pension schemes covering a significant number of ING Insurance's employees. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. ING Insurance has both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which a fixed contribution is paid into a separate entity (fund) and for which no legal or constructive obligation exists to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

A defined benefit plan is any pension plan other than a defined contribution plan. It generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined benefit plans

The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at the fair value at the balance sheet date. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Changes in plan assets that affects Shareholder's equity and/or Net result, include mainly:

- expected return on assets using a high quality corporate bond rate at the start of the reporting period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

The defined benefit obligation is calculated by internal and external actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index, and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan obligation and future pension costs.

Notes to the Condensed consolidated interim accounts continued

Changes in the defined benefit obligation that affects Shareholder's equity and/or Net result, include mainly:

- service cost which are recognised as staff costs in the profit and loss account;
- interest expenses using a high quality corporate bond rate at the start of the period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

Remeasurements recognised in other comprehensive income are not recycled to profit and loss. Any past service cost upon a plan amendment is recognised in profit or loss in the period of the plan amendment. Gains and losses on curtailments and settlements are recognised in the profit and loss account when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the consolidated balance sheet is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans

For defined contribution plans, ING Insurance pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. ING Insurance has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The restated consolidated balance sheet as at 1 January 2012 is as follows:

Restated consolidated balance sheet	
	1 January 2012 (Restated)
ASSETS	
Cash and cash equivalents	11,577
Financial assets at fair value through profit and loss	126,873
Available-for-sale investments	133,604
Loans and advances to customers	32,928
Reinsurance contracts	5,870
Investments in associates	1,526
Real estate investments	954
Property and equipment	469
Intangible assets	1,972
Deferred acquisition costs	10,204
Other assets	9,631
Total assets	335,608
EQUITY	
Shareholder's equity (parent)	23,412
Minority interests	62
Total equity	23,475
LIABILITIES	
Subordinated loans	4,367
Debt securities in issue	3,436
Other borrowed funds	7,307
Insurance and investment contracts	278,833
Financial liabilities at fair value through profit and loss	4,404
Other liabilities	13,786
Total liabilities	312,132
Total equity and liabilities	335,608

The change in accounting policy affects the balance sheet lines Other assets, Shareholder's equity(parent), Liabilities held for sale and Other liabilities. The following tables provide a further breakdown of the Other assets, Other liabilities and Deferred taxes as at 1 January 2012.

Notes to the Condensed consolidated interim accounts continued

Other assets (Restated)

Other assets by type	
	1 January 2012 (Restated)
Reinsurance and insurance receivables	1,971
Deferred tax assets	186
Property development and obtained from foreclosures	72
Income tax receivable	82
Accrued interest and rents	2,999
Other accrued assets	1,670
Net defined benefit asset	1,472
Other	1,179
	<u>9,631</u>

Other liabilities (Restated)

Other liabilities by type	
	1 January 2012 (Restated)
Deferred tax liabilities	1,843
Income tax payable	52
Net defined benefit liability	631
Other post-employment benefits	74
Other staff-related liabilities	502
Other taxation and social security contributions	148
Deposits from reinsurers	1,015
Accrued interest	812
Costs payable	1,079
Amounts payable to brokers	72
Amounts payable to policyholders	2,171
Reorganisation provision	79
Other provisions	134
Amounts to be settled	3,874
Other	1,300
	<u>13,786</u>

Notes to the Condensed consolidated interim accounts continued

Deferred tax (Restated)

Changes in deferred tax

	Net liability 1 January 2012	Change through equity	Change through net result	Changes in the composition of the group	Exchange rate differences	Other	Net liability 31 Decem- ber 2012
Investments	1,736	1,978	-79	-489	-50	9	3,105
Real estate investments	378		-23			-8	347
Financial assets and liabilities at fair value through profit and loss	-20			1	-1	-6	-26
Deferred acquisition costs and VOBA	2,731	-147	166	-1,301	-98		1,351
Depreciation			-4	1		-1	-4
Insurance provisions	-3,350	-803	-293	407	52	1	-3,986
Cash flow hedges	955	235		-6		-1	1,183
Net defined benefit asset/liability	17	-320	30	23	11	17	-222
Other provisions	-161		317	-112	16	-22	38
Receivables	-31		1	-8	-1		-39
Loans and advances to customers	14		-2	3	1		16
Unused tax losses carried forward	-674		-48	92	4	7	-619
Other	62	9	-135	112	17	-2	63
	1,657	952	-70	-1,277	-49	-6	1,207
Comprising:							
- deferred tax liabilities	1,843						1,283
- deferred tax assets	-186						-76
	1,657						1,207

Subsequent events

SUBSEQUENT EVENTS

In August 2013, it was decided that ING U.S. Inc., which is currently a 71.25% subsidiary of ING Verzekeringen N.V. and fully consolidated in these Interim Accounts, will be distributed as a dividend in kind to the parent, ING Groep N.V. This transaction is expected to be completed on 30 September 2013 against the net asset value at that date. As a result, Shareholder's equity of ING Verzekeringen N.V. will decrease with an amount equal to the net asset value of ING U.S. Inc. as at that date. The net asset value of ING U.S., Inc as at 30 June 2013 was approximately EUR 6.9 billion. This transaction will not have an immediate impact on the profit and loss account.



Review report

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

REVIEW REPORT

Introduction

We have reviewed the accompanying condensed consolidated interim accounts for the six month period ended 30 June 2013, of ING Verzekeringen N.V., Amsterdam, which comprises the condensed consolidated balance sheet as at 30 June 2013 and the related condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes for the six month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim accounts in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim accounts based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at and for the six month period ended 30 June 2013 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

AMSTERDAM, 6 AUGUST 2013

Ernst & Young Accountants LLP

Signed by A.F.J. van Overmeire

DISCLAIMER

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

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

In preparing the financial information in this document, except for the changes described in Note 1 'Basis of presentation', the same accounting principles are applied as in the 2012 ING Insurance Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of ING's restructuring plan to separate banking and insurance operations,

(5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit-ratings, (18) ING's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V.

Any forward-looking statements made by or on behalf of ING speak only as of the date they are made, and, ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.

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