ING GROEP NV
Form 6-K
August 09, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

Report of Foreign Private Issuer

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

of the Securities Exchange Act of 1934

For August 8, 2012

Commission File Number 1-14642

ING Groep N.V.

Amstelveenseweg 500

1081-KL Amsterdam

The Netherlands

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

Form 20-F x Form 40-F ¨

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

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

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

Yes ¨ No x

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

This Report contains a copy of the following:

(1) The Press Release issued on August 8, 2012.

CORPORATE COMMUNICATIONS

PRESS RELEASE 8 August 2012

ING posts 2Q12 underlying net profit of EUR 1,045 million

ING Group s 2Q12 net result was EUR 1,171 million, or EUR 0.31 per share, including divestments and special items. The results of Asia Insurance/IM are reported as results from discontinued operations.

Bank underlying result before tax amounted to EUR 995 million despite higher risk costs and de-risking measures.

Insurance operating result improved to EUR 304 million. Underlying result before tax was EUR 229 million, including hedge gains and the change in the provision for separate account pension contracts in the Benelux.

ING s capital position improved further. The Bank s core Tier 1 ratio strengthened to 11.1%. The Insurance IGD solvency ratio rose to 240%. Given ING s priority to repay the Dutch State, no interim dividend will be paid in 2012.

Chairman s Statement

ING posted solid second-quarter results. In these uncertain times the financial strength of the company is our highest priority: capital, liquidity and funding have all improved, said Jan Hommen, CEO of ING Group. As the eurozone crisis deteriorated, we accelerated our efforts to de-risk the investment portfolio at the Bank, and brought down our Spanish exposure to reduce the funding mismatch in that country. At Insurance, we continued to hedge to protect regulatory capital, leading to volatility in IFRS earnings.

Provisions for loan losses at the Bank increased as the macroeconomic environment weakened, and the net interest margin declined, despite easing competition for savings. We increased our vigilance on costs, and expenses declined for the second consecutive quarter. Progress on balance sheet optimisation is gaining traction, with integration initiatives reaching EUR 7.2 billion in the seven months ended in July. Commercially, the Bank generated strong retail deposit growth of EUR 4.3 billion during the second quarter, further strengthening the funding profile. Demand for lending remains weak, but total lending rose modestly as ING continued to support clients with their financial needs.

We continue to work tirelessly to deliver on our performance improvement plans and prepare our banking and insurance businesses for their independent futures. The sales process for our Insurance and Investment Management businesses in Asia is on track, and ING US made an important step with its inaugural benchmark debt issuance as it works to separate its funding and liquidity from the Group ahead of its planned IPO. For Insurance Europe, we are stepping up our efforts as we prepare for the base case of an IPO. As the Group moves forward with its transformation, our employees continue to place the utmost priority on the needs of our customers to deliver the exemplary service and products they require.

Key Figures[1]

	2Q2012	2Q2011	Change	1Q2012	Change	1H2012	1H2011	Change
ING Group key figures (in EUR million)								
Underlying result before tax Group	1,224	1,617	-24.3%	892	37.2%	2,116	3,397	-37.7%
of which Bank	995	1,145	-13.1%	1,126	-11.6%	2,120	2,678	-20.8%
of which Insurance	229	472	-51.5%	-234		-4	719	-100.6%
Underlying net result	1,045	1,271	-17.8%	543	92.4%	1,588	2,497	-36.4%
Net result	1,171	1,507	-22.3%	680	72.2%	1,851	2,888	-35.9%
Net result per share (in EUR)[2]	0.31	0.40	-22.5%	0.18	72.2%	0.49	0.76	-35.5%
Total assets (end of period, in EUR billion)				1,242	-0.4%	1,237	1,241	-0.3%
Shareholders equity (end of period, in EUR billion)				48	6.1%	51	40	25.4%
	8.5%	12.7%		4.6%		6.6%	12.4%	

Underlying return on equity based on IFRS-EU equity[4]								
Banking key figures								
Underlying interest margin	1.26%	1.38%		1.32%		1.29%	1.39%	
Underlying cost/income ratio	58.4%	60.4%		58.8%		58.6%	58.1%	
Underlying risk costs in bp of average RWA	72	43		59		65	39	
Core Tier 1 ratio				10.9%		11.1%	9.4%	
Underlying return on equity based on IFRS-EU equity[4]	7.9%	10.5%		8.6%		8.2%	11.5%	
Insurance key figures								
Operating result (in EUR million)	304	565	-46.2%	258	17.8%	562	918	-38.8%
Investment margin / life general account invested assets (in bps)[3]	133	119		134				
Administrative expenses / operating income (Life & ING IM)	46.7%	39.4%		48.7%		47.7%	41.3%	
Underlying return on equity based on IFRS-EU equity[4]	5.4%	8.1%		-3.5%		1.1%	5.5%	

The footnotes relating to 1-4 can be found on page 14 of this press release.

Note: Underlying figures are non-GAAP measures and are derived from figures according to IFRS-EU by excluding impact from divestments and special items.

ING GROUP CONSOLIDATED RESULTS

The second quarter of 2012 was marked by heightened tension in the eurozone sovereign debt crisis, volatile financial markets and a weakening macroeconomic environment as the effects of the ongoing crisis became increasingly tangible on the real economy. Against this backdrop, ING continued to de-risk its balance sheet and maintained hedges at Insurance to protect regulatory capital, which impacted ING s results in the quarter. Despite this challenging environment, results held up well and ING Group posted a second-quarter underlying net profit of EUR 1,045 million.

ING Bank posted solid second-quarter results despite losses from proactive de-risking, pressure on the underlying interest margin, and elevated levels of risk costs that exceed through-the-cycle norms. The gross result, before risk costs, rose 5.9% from a year ago and declined only 2.0% sequentially. The Bank s underlying result before tax was EUR 995 million, down 13.1% year-on-year and 11.6% lower than in the first quarter of 2012, reflecting higher risk costs.

The Bank continued to optimise its balance sheet throughout the quarter, attracting strong retail deposit inflows and growing lending while simultaneously curtailing balance sheet growth. Retail Banking generated EUR 4.3 billion of net funds entrusted inflow, and ING continued to support its clients funding needs, realising a total net lending production of EUR 2.9 billion.

During the second quarter, ING Insurance maintained its focus on protecting regulatory capital. Despite the ongoing financial market volatility, results increased sequentially both on an operating and underlying basis. The operating result was EUR 304 million, 17.8% higher than in the first quarter. This increase was fuelled by seasonally higher dividend income and general account asset growth, which lifted the investment margin. Operating results were down 46.2% year-on-year, due to positive non-recurring items in the second quarter of 2011, coupled with a lower technical margin and lower Non-life results in the current quarter. The second-quarter 2012 underlying result before tax was EUR 229 million, including positive results on regulatory capital hedges in the US Closed Block VA.

Insurance sales (APE) increased 9.0% from one year ago; on a constant currency basis, sales declined 5.0%. APE in Central and Rest of Europe rose on higher sales in the Czech Republic and Turkey. At Insurance US, APE increased, reflecting higher full service retirement plan, individual life and employee benefits sales. Sales in the Benelux declined due to lower individual life product sales in the Netherlands. On a sequential basis, total sales at ING Insurance fell 17.7% at constant currencies, mainly attributable to seasonally higher first-quarter sales in the Benelux and the US.

ING Group s quarterly net profit was EUR 1,171 million compared with EUR 1,507 million in the second quarter of 2011 and EUR 680 million in the first quarter of 2012. The second-quarter underlying effective tax rate was 13.2%.

As of 30 June 2012, the Asian Insurance and Investment Management businesses and the reinsured Japan SPVA businesses in Corporate Reinsurance are classified as held for sale and as discontinued operations. Although no divestment transactions have yet been completed, it has been decided to write off the EUR 180 million goodwill in ING Investment Management (IIM) Korea. IFRS 5 requires a write-off of certain assets, such as goodwill, if a unit is expected to be divested below book value.

For other assets in Asia, such as investments and insurance-related assets, the regular accounting policies continue to apply and the carrying value of these assets is not impacted by the held for sale classification. Negotiations are on-going and it is too early to predict the final financial outcome with respect to the divestments of the operations held for sale.

ING Group s second-quarter net results included EUR 188 million of net losses on divestments, which primarily consisted of the IIM Korea goodwill write-off, EUR 111 million net result from discontinued operations and EUR -3 million net result from divested units. Special items after tax were EUR 206 million positive and predominantly reflect the EUR 305 million favourable impact of a provision release following the announcement on 3 July 2012 of the new Dutch employee pension scheme, which offset other special items related to various restructuring programmes and separation and IPO preparation costs. After-tax separation and IPO preparation costs were EUR 34 million in the quarter and EUR 81 million year-to-date, out of an estimated total of EUR 150 million for 2012.

The EUR 111 million net result from discontinued operations included EUR 112 million from Insurance Asia, EUR 3 million from the Corporate Line and EUR -4 million from IIM Asia. Insurance Asia showed a solid second-quarter performance with a pro-forma underlying pre-tax result of EUR 160 million, up from EUR 135 million one year ago. Strong sales growth of non-cancer COLI products in Japan and improved mortality results in Korea drove results higher, while expenses stayed flat. Underlying pre-tax results declined from the first quarter of 2012, as that quarter included positive non-recurring items and seasonally higher premium income from Japan COLI. The Corporate Line results represent the internally reinsured Japanese SPVA guarantees and related hedges.

ING Group s net profit per share was EUR 0.31 based on an average number of shares of 3,791 million over the second quarter. The Group s underlying net return on IFRS-EU equity was 6.6% for the first six months of 2012.

BANKING

Banking key figures

	2Q2012	2Q2011	Change	1Q2012	Change	1H2012	1H2011	Change
Profit and loss data (in EUR million)								
Underlying interest result	2,953	3,054	-3.3%	3,052	-3.2%	6,005	6,145	-2.3%
Underlying income	3,689	3,663	0.7%	3,801	-2.9%	7,490	7,700	-2.7%
Underlying operating expenses	2,154	2,214	-2.7%	2,235	-3.6%	4,388	4,476	-2.0%
Underlying addition to loan loss provision	541	304	78.0%	441	22.7%	982	546	79.9%
Underlying result before tax	995	1,145	-13.1%	1,126	-11.6%	2,120	2,678	-20.8%
Key figures								
Underlying interest margin	1.26%	1.38%		1.32%		1.29%	1.39%	
Underlying cost/income ratio	58.4%	60.4%		58.8%		58.6%	58.1%	
Underlying risk costs in bp of average RWA	72	43		59		65	39	
Risk-weighted assets (end of period, in EUR billion, adjusted for divestm.)				300	1.3%	303	281	8.1%
Underlying return on equity based on IFRS equity[1]	7.9%	10.5%		8.6%		8.2%	11.5%	
Underlying return on equity based on 10% core Tier 1[2]	9.7%	12.7%		10.4%		10.0%	14.1%	

1 Annualised underlying net result divided by average IFRS-EU equity.
2 Annualised underlying, after-tax return divided by average equity based on 10% core Tier 1 ratio.

Results from ING Bank held up well in the second quarter, despite a marked deterioration in risk costs as the macroeconomic climate weakened, as well as an increase in de-risking losses as ING reduced exposure to southern European debt. The underlying result before tax decreased to EUR 995 million, down 13.1% from one year ago and 11.6% lower than in the previous quarter. Retail deposit growth remained strong with a quarterly net production of EUR 4.3 billion. However, although retail deposit inflows were strong and client savings rates were reduced, the Bank s interest result declined 3.2% on the first quarter. This was mainly due to margin pressure on savings stemming from lower yields on investments as well as lower interest results from Financial Markets. Expenses declined for the second consecutive quarter, both sequentially and year-on-year, supported by strong cost control.

UNDERLYING RESULT BEFORE TAX (in EUR million)

Total underlying income was flat versus a year ago, despite EUR 178 million of realised losses from de-risking, mainly related to the sale of EUR 2.1 billion of Spanish debt securities, as well as EUR 16 million of impairments. The second quarter of 2011 included EUR 44 million of de-risking losses, and EUR 202 million of impairments, mainly on Greek government bonds. Income declined 2.9% on a sequential basis. Income in the first quarter of 2012 was heavily impacted by EUR 304 million of negative impacts from CVA/DVA adjustments and fair value changes on own Tier 2 debt. The magnitude of these impacts was less severe in the second quarter. Excluding these and other market-related impacts in both the first and the second

quarters of 2012, income was 6.2% lower quarter-on-quarter, primarily due to pressure on the interest margin.

INTEREST RESULT (in EUR million) AND INTEREST MARGIN (in %)

The underlying interest result declined 3.3% from a year ago and 3.2% from the previous quarter. The interest result for lending activities improved versus both quarters, supported by moderate volume growth and repricing. In savings, ING continued to attract strong retail deposit inflows. Although competition for savings did ease somewhat, and client rates were reduced in several countries, the interest result on savings was impacted by lower returns in the investment portfolio due to lower interest rates and de-risking. The Bank s second-quarter underlying interest margin was 1.26%, down from 1.32% in the first quarter of 2012. This was primarily due to the aforementioned factors, lower interest results from Financial Markets as well as a higher level of average balance sheet assets during the quarter, as reductions in short-term professional funding were largely realised at quarter-end.

ING continued to optimise its balance sheet by leveraging the strength of its retail deposit-gathering capabilities and by increasing lending without growing the total balance sheet. Retail Banking generated EUR 4.3 billion of net funds entrusted inflow, of which EUR 2.6 billion was in the Netherlands and EUR 1.9 billion in Germany. Funds entrusted at Commercial Banking declined by EUR 6.1 billion as short-term deposits were partly substituted with longer-term CD/CPs. ING continued to grow its loan portfolio, even as the demand for loans remained muted in the current environment. The production of residential mortgages was EUR 3.1 billion, with increases in all regions. Commercial Banking lending showed a net decline of EUR 1.3 billion, particularly in Real Estate Finance, as ING takes a conservative approach to underwriting. That decline was partly offset by EUR 1.1 billion of net growth in other Retail Banking lending.

Consistent and strong cost control across the Bank supported the decline in underlying operating expenses, both sequentially and year-on-year, for the second consecutive quarter. Expenses were down 2.7% from one year ago, driven by ongoing cost containment, lower performance-related personnel expenses and a reimbursement from the old deposit guarantee scheme (DGS) in Belgium. These factors more than offset the impact of annual salary increases, inflation and higher bank levies. Compared with the first quarter of 2012, expenses declined 3.6%. This decrease was mainly due to lower performance-related personnel expenses (stemming from the new Dutch collective labour agreement which was announced on 28 June 2012) and the DGS reimbursement in Belgium, and despite higher marketing costs. The underlying cost/income ratio improved to 58.4% in the quarter, and was 56.2% excluding market impacts and CVA/DVA adjustments.

OPERATING EXPENSES (in EUR million) AND COST/INCOME RATIO (in %)

The further deterioration in the macroeconomic environment had a clear impact on second-quarter risk costs, which increased 22.7% from the first quarter of 2012 and 78.0% from the second quarter of 2011. The increase versus the first quarter of this year was driven by Industry Lending in Commercial Banking, primarily within commercial real estate, and higher additions for Dutch mortgages reflecting lower house prices in the Netherlands. Non-performing loans in the total Dutch mortgage portfolio remained stable at 1.2%. Second-quarter risk costs were lower in Retail Belgium and in Retail International on a sequential basis; the latter included a provision for a CMBS in the first quarter of 2012. Total second-quarter risk costs at ING Bank were 72 basis points of average risk-weighted assets. ING expects risk costs to

remain elevated, reflecting the weakening of the economic climate.

Results from Retail Banking were solid in the second quarter despite elevated risk costs. The underlying result before tax declined 9.0% versus last year to EUR 504 million, almost fully attributable to higher risk costs. The result was down 18.3% on the previous quarter as de-risking efforts were accelerated amid the eurozone crisis, resulting in EUR 172 million of losses. Despite some easing in the competition for savings, the interest result remained under pressure, reflecting the impact of the low interest rate environment and de-risking in the investment portfolio. Operating expenses decreased on both comparable quarters.

Commercial Banking results were impacted by an increase in loan loss provisions, particularly in Real Estate Finance due to the continued weakening of commercial real estate markets in the second quarter. This led to a decline in underlying results before tax to EUR 420 million, down 33.4% from the second quarter of 2011 and 31.3% compared with the first quarter of 2012. The gross result, before risk costs, held up well, declining 5.0% year-on-year and 10.2% from the first quarter, as cost reductions partially offset a decline in income.

The underlying result before tax of Corporate Line Banking improved to a profit of EUR 71 million compared to a loss of EUR 40 million in the second quarter of 2011. The improvement was mainly due to three factors: positive fair value changes on part of ING Bank s own Tier 2 debt due to a widening in ING s credit spread, lower financing charges, and higher income on capital surplus.

ING Bank s quarterly net result was EUR 884 million. Special items after tax were positive at EUR 169 million and primarily reflect the EUR 218 million favourable impact of a provision release following the announcement on 3 July 2012 of the new Dutch pension scheme. Other special items amounted to EUR -49 million after tax and mainly related to restructuring expenses in the Netherlands, costs related to the separation of Bank and Insurance and EUR 16 million of additional after-tax charges following the final settlement with US authorities concerning transactions subject to sanctions by the US.

The year-to-date underlying return on IFRS-EU equity decreased to 8.2% from 11.5% in the first half of 2011. The decline reflects a higher equity base as well as the impact of lower earnings that were primarily due to pressure on the interest margin and elevated levels of risk costs that exceed through-the-cycle norms. The Ambition 2015 target for return on IFRS-EU equity is 10-13%.

INSURANCE

Insurance key figures

	2Q2012	2Q2011	Change	1Q2012	Change	1H2012	1H2011	Change
Margin analysis (in EUR million)								
Investment margin	475	455	4.4%	425				