ING GROEP NV
Form 6-K
September 10, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For June 30, 2009
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 þ **Form 40-F** o

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): o

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): o

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 o **No** þ

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

THIS REPORT ON FORM 6-K (EXCEPT FOR REFERENCES THEREIN TO UNDERLYING RESULT BEFORE TAX AND ANY OTHER NON-GAAP FINANCIAL MEASURE AS SUCH TERM IS DEFINED IN REGULATION G UNDER THE SECURTIES EXCHANGE ACT OF 1934, AS AMENDED) SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-130040) OF ING GROEP N.V. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED. FOR THE AVOIDANCE OF DOUBT, THE DISCLOSURE CONTAINING REFERENCES TO UNDERLYING RESULT BEFORE TAX AND ANY OTHER NON-GAAP FINANCIAL MEASURE CONTAINED IN THE ATTACHED REPORT IS NOT INCORPORATED BY REFERENCE INTO THE ABOVE-MENTIONED REGISTRATION STATEMENT OF ING GROEP N.V.

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1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

1.1 Introduction

PRESENTATION OF INFORMATION

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

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

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

The published 2008 Consolidated Annual Accounts of ING Group are presented in accordance with IFRS-EU. The Annual Accounts of ING Group will remain to be prepared under IFRS-EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk.

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

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

A reconciliation between IFRS-EU and IFRS-IASB is included on page 24.

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

Underlying result before tax is included within this Form 6-K as this is the performance measure utilized by the Group for segment reporting. Refer to page 50 for the reconciliation of underlying net result to net result by reporting segment.

Unless otherwise specified or the context otherwise requires, references to US$ and Dollars are to United States dollars and references to EUR are to euros.

Small differences are possible in the tables due to rounding.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Form 6-K that are not historical facts are statements 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:

- changes in general economic conditions, in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including developing markets,
- changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness,
- the frequency and severity of insured loss events,
- changes affecting mortality and morbidity levels and trends,
- changes affecting persistency levels,
- changes affecting interest rate levels,
- changes affecting currency exchange rates,
- changes in general competitive factors,
- changes in laws and regulations,
- changes in the policies of governments and/or regulatory authorities.

ING is under no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

IMPORTANT EVENTS AND TRANSACTIONS

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

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

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

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

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1.2 Consolidated results of operations

The following information should be read in conjunction with, and is qualified by reference to the Group s condensed consolidated interim accounts and other financial information included elsewhere herein. ING Group evaluates the results of its insurance operations and banking operations, including Retail Banking, ING Direct, Commercial Banking, Insurance Europe, Insurance Americas and Insurance Asia/Pacific, using the financial performance measure of underlying result before tax. Underlying result before tax is defined as result before tax excluding, as applicable for each respective segment, result from divested units, gains/losses on divestments, certain restructuring charges and other non-operating income/expense.

While these excluded items are significant components in understanding and assessing the Group s consolidated financial performance, ING Group believes that the presentation of underlying result before tax enhances the understanding and comparability of its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the effects of the realized gains/losses on divestments as the timing of these gains is largely subject to the Company s discretion, influenced by market opportunities and ING Group does not believe that they are indicative of future results. Underlying result before tax is not a substitute for result before tax as determined in accordance with IFRS-IASB. ING Group s definition of underlying result before tax may differ from those used by other companies and may change over time. Refer to the reconciliation of underlying result before tax to result before tax by segment in Note 2.5.13 to our condensed consolidated interim accounts.

The following table sets forth the consolidated results of operations of ING Group for the six months ended June 30, 2009 and 2008:

	Banking[1]		**Insurance[1]**		**Eliminations**		**Total**	
	Six months ended June 30,							
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	(EUR millions)							
Gross premium income			16,183	23,729			16,183	23,729
Interest result banking operations	6,223	5,225			43	24	6,180	5,201
Commission income	1,274	1,472	969	1,008			2,243	2,480
Investment and Other income	(1,181)	2,107	1,263	5,122	128	91	(46)	7,138
Total income	**6,316**	**8,805**	**18,415**	**29,858**	**171**	**115**	**24,560**	**38,548**
Underwriting expenditure			16,664	24,644			16,664	24,644
Other interest expenses			542	598	171	115	371	483
Operating expenses	5,151	5,010	2,303	2,665			7,454	7,675
Impairments insurance/Addition to loan loss provision banking	1,625	331	36	37			1,661	368
Total expenditure	**6,776**	**5,341**	**19,545**	**27,944**	**171**	**115**	**26,150**	**33,170**
Result before tax	**(461)**	**3,463**	**(1,130)**	**1,914**			**(1,591)**	**5,377**
Taxation	(167)	897	(181)	186			(348)	1,083
Result before minority interests	**(294)**	**2,566**	**(949)**	**1,728**			**(1,243)**	**4,294**
Minority interests	(109)	(33)	6	34			(103)	
Net result	**(185)**	**2,599**	**(955)**	**1,694**			**(1,140)**	**4,294**

Result before tax	**(461)**	**3,463**	**(1,130)**	**1,914**	**(1,591)**	**5,377**
Gains/losses on divestments[2]			54	(47)	54	(47)
Result divested units				(135)		(135)
Special items [3]	385	164	375		760	164
Underlying result before tax	**(76)**	**3,627**	**(701)**	**1,732**	**(776)**	**5,358**

(1) Excluding intercompany eliminations.

(2) Divestments Insurance: sale Canada (EUR 46 million, other EUR 8 million, 2009), sale NRG (EUR 15 million, 2008), sale Chile Health business (EUR (62) million, 2008).

(3) Special items Banking: restructuring provision, as part of the initiative to reduce operating expenses ING Group by EUR 1 billion for the year 2009, (EUR 317 million, 2009), Illiquid Assets Back-up Facility (EUR (70) million, 2009) provision for Retail Netherlands Strategy (EUR 98 million, 2009, EUR

164 million, 2008), not launching ING Direct Japan (EUR 39 million, 2009). Special items Insurance: restructuring provision (EUR 257 million, 2009), Illiquid Assets Back-up Facility (EUR 118 million, 2009).

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GROUP OVERVIEW

The result before tax of the Group for the six months ended June 30, 2009 decreased by EUR 6,968 million, or 129.6%, to EUR (1,591) million, from EUR 5,377 million for the six months ended June 30, 2008. This reflects a decrease of 113.3% and 159.0%, respectively, for the Group s banking and insurance operations. Excluding special items of EUR 760 million and EUR 164 million in the first six months of 2009 and 2008, respectively, related to the Retail Netherlands Strategy (under which Postbank and ING Bank will join forces under a single ING brand), restructuring provisions (as part of the initiative to reduce operating expenses for the Group by EUR 1 billion in 2009) and the result on the Alt A-portfolio (full risk transfer to the Dutch State on 80% of the Alt-A portfolio) and divestments which influenced result before tax by EUR 54 million in the first six months of 2009 (mainly Taiwan and Canada), and by EUR (182) million (including result divested units) in the first six months of 2008 (mainly NRG and Chile Health), underlying result before tax decreased by EUR 6,134 million, or 114.5%, from EUR 5,358 million to EUR (776) million. The underlying results of ING s banking operations decreased in all banking business lines as they were affected by higher risk costs stemming from deteriorating credit conditions, slightly offset by an increase in the interest margin due to a favorable interest rate environment. Underlying result before tax of ING Direct decreased by 139.3% due to impairments on the investment portfolio and a rise in loan loss provisions. Also, underlying result before tax in all three insurance business lines: Europe, Americas and Asia/Pacific, decreased significantly due to weak economic and market conditions, although Insurance Europe and Asia/Pacific still booked positive results. Especially, Insurance Americas showed negative results due to weak product sales and the de-risking of variable annuity products. Result from life insurance and non-life insurance decreased by 151.4% and 71.7%, respectively.

The Group s tax charge for the six months ended June 30, 2009 decreased to EUR (348) million from EUR 1,083 million for the six months ended June 30, 2008. This represents an overall effective tax rate of 21.9% for the six months ended June 30, 2009, from 20.1% for the six months ended June 30, 2008. The effective tax rate in the insurance operations was 16.0% in the first six months of 2009 compared with 9.7% in the corresponding period in 2008. In the banking operations the tax rate was 36.2% compared with 25.9% for the six months ended June 30, 2008.

Net result for the six months ended June 30, 2009 decreased by EUR 5,434 million, or 126.5%, to EUR (1,140) million from EUR 4,294 million for the six months ended June 30, 2008. Net result from the banking operations decreased 107.1% to EUR (185) million, as higher interest results and a lower effective tax rate were offset by a decline in investment income and higher risk costs due to the economic downturn. Net result from insurance operations decreased 156.4% to EUR (955) million mainly due to lower premium and investment income partly offset by decreased underwriting expenditure and taxation.

The capital coverage ratio for ING s insurance operations increased to 257% of regulatory requirements at the end of June 2009, compared with 256% at December 31, 2008. The Tier-1 ratio of ING Bank N.V. stood at 7.4% on June 30, 2009 and 7.3% as at December 31, 2008, well above the regulatory required minimum level of 4%.

BANKING OPERATIONS

Income

Total income from banking decreased by 28.3%, or EUR 2,489 million, to EUR 6,316 million from EUR 8,805 million for the six months ended June 30, 2008, mainly due to a strong decrease in investment and other income (especially the valuation results from non-trading derivatives), partly offset by a strong growth in interest result.

The net interest result for the six months ended June 30, 2009 increased by EUR 998 million, or 19.1%, to EUR 6,223 million, from EUR 5,225 million for the six months ended June 30, 2008, attributable to Commercial Banking (EUR 646 million), ING Direct (EUR 343 million), Retail Banking (EUR 35 million) and Corporate Line (EUR (27) million). The total interest margin in the six months ended June 30, 2009 was 1.24%, an increase of 21 basis points compared with the six months ended June 30, 2008, mainly due to the de-leveraging of the balance sheet (estimated effect 10 basis points), higher interest margins at ING Direct (effect 4 basis points) and higher margins in Commercial Banking.

Commission income for the six months ended June 30, 2009 decreased by EUR 198 million, or 13.5%, to EUR 1,274 million, from EUR 1,472 million for the six months ended June 30, 2008. The decrease is primarily due to EUR 167 million lower management fees (as a result of lower asset values, especially in Retail Banking and ING Real Estate), EUR 15 million lower funds transfer commission and EUR 34 million lower other commission income, only partly compensated by EUR 25 million higher securities business commission.

Investment and Other income decreased by EUR 3,288 million to EUR (1,181) million for the six months ended June 30, 2009, from EUR 2,107 million for the six months ended June 30, 2008. The decrease reflects EUR 583 million of impairments, primarily on debt securities, and EUR 370 million of negative fair value changes on direct real estate investments in the first six months of 2009. In the first six months of 2008 impairments were EUR 136 million and fair value changes on direct real estate investments amounted to negative EUR 221 million. EUR 79 million lower realized gains on sale of equity securities and EUR 38 million lower dividend income were more than compensated by EUR 183 million higher realized gains on sale of bonds. The decline in Other income is mainly caused by EUR 2,456 million lower valuation results from non-trading derivatives, for which hedge accounting is not applied, and EUR 257 million higher losses from associates (mainly at ING Real Estate due to the downward valuation of listed funds).

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Expenses

Operating expenses for the six months ended June 30, 2009 increased by EUR 141 million, or 2.8%, to EUR 5,151 million, from EUR 5,010 million for the six months ended June 30, 2008. The increase is fully caused by the special items
(in the first six months of 2009 EUR 488 million and in the first six months of 2008 EUR 163 million), mainly provisions and costs related to the Retail Netherlands Strategy and the restructuring as part of the Bank initiative to reduce operating expenses by EUR 650 million in 2009. Excluding the special items, operating expenses declined by EUR 184 million, or 3.8%. The positive impact of the cost-containment initiatives was partly offset by EUR 76 million of impairments on real estate development projects and a EUR 84 million increase of deposit insurance premiums paid by ING Direct. The cost/income ratio deteriorated to 81.6% in the first six months of 2009 from 56.9% in the first six months of 2008 driven by the sharp decline in investment and other income.

Addition to the provision for loan losses

The provision for loan losses reflected an addition of EUR 1,625 million for the six months ended June 30, 2009, compared with an addition of EUR 331 million for the first half of 2008, representing an increase of EUR 1,294 million, of which EUR 612 million is attributable to Commercial Banking, EUR 438 million to Retail Banking and EUR 244 million to ING Direct.

Result before tax and net result

The result before tax for the six months ended June 30, 2009 decreased by EUR 3,924 million, or 113.3%, to a loss of EUR 461 million, from EUR 3,463 million for the six months ended June 30, 2008. Net result decreased by EUR 2,784 million, or 107.1%, to a loss of EUR 185 million.

Underlying result before tax

The underlying result before tax, which excludes the effects of divestments and special items, decreased by EUR 3,703 million, or 102.1%, from EUR 3,627 million in the first six months of 2008 to a loss of EUR 76 million in the first six months of 2009.

INSURANCE OPERATIONS

Income

Total income from insurance operations for the six months ended June 30, 2009 decreased by EUR 11,443 million, or 38.3% to EUR 18,415 million from EUR 29,858 million for the six months ended June 30, 2008. Total premium income decreased by 31.8%, or EUR 7,546 million, most notably in the United States and Asia/Pacific caused by lower sales of single premium investment-oriented products and the divestment of ING Canada and Taiwan. Commission income decreased by EUR 37 million, or 3.7%, to EUR 971 million in the first six months of 2009 as compared to EUR 1,008 million in the first six months of 2008 mainly due to lower asset balances in Asia/Pacific and Europe.

Investment and Other income decreased by EUR 3,861 million or 75.4% to EUR 1,261 million in the first six months of 2009 as compared to EUR 5,122 million in the first six months of 2008 due to negative revaluations of real estate and capital losses on equity and debt securities as well as negative fair value changes on hedge positions in all insurance business lines. Losses on the hedges related to variable annuity guarantees were largely offset by favourable developments in the variable annuity guaranteed benefit reserves, DAC amortization and DAC unlocking, which are reflected in underwriting expenditure.

Expenses

Operating expenses of the insurance operations over the first six months of 2009 decreased by EUR 362 million, or 13.6%, to EUR 2,303 million, from EUR 2,665 million for the first six months of 2008.

All business lines contributed to this result through cost-containment measures; sales-related expenses were also down on lower production.

Result before tax and net result

The result before tax from the Group s insurance activities for the six months ended June 30, 2009 decreased by EUR 3,044 million, or 159.0%, to EUR (1,130) million, from EUR 1,914 million for the six months ended June 30, 2008. Net result for the Group s insurance operations for the six months ended June 30, 2009 decreased by EUR 2,649 million, or 156.4%, to EUR (955) million, from EUR 1,694 million for the six months ended June 30, 2008.

Underlying result before tax

Underlying result before tax from the insurance operations decreased by 140.5% or EUR 2,433 million to EUR (701) million from EUR 1,732 million in the first six months of 2008. Underlying result of Insurance Europe decreased by EUR 678 million, or 91.1%, to EUR 58 million due to lower direct investment income, negative revaluations on equity options to hedge equity investments, higher non-life claims and an addition to the provision for guaranteed pension contracts, partly offset by lower operating expenses. Underlying result before tax in Insurance Americas decreased by 153.9% from EUR 471 million in the first six months of 2008 to EUR (254) million in the first six months of 2009 due to investment losses, DAC unlocking, lower fee income and higher guaranteed benefit costs. Underlying result from Insurance Asia decreased by 83.3% to EUR 52 million mainly due to a negative swing on SPVAs in Japan due to intense market volatility, a provision on a buyback guarantee in New Zealand and an impairment on debt holdings in India. The corporate line decreased by 353.9% from EUR 219 million to EUR (556) million mainly due to lower gains and higher impairments on public equity and lower fair value changes equity derivatives.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s condensed consolidated assets and liabilities at June 30, 2009 and December 31, 2008:

(amounts in EUR billion)	June 30, 2009	Dec. 31, 2008
Financial assets at fair value through P&L	238.9	280.5
Investments	207.5	258.3
Loans and advances to customers	585.9	616.8
Total assets (1)	**1,184.3**	**1,328.6**
Life	214.6	212.4
Non-life	3.9	7.3
Investment contracts	19.5	21.1
Insurance and investment contracts	238.0	240.8
Amounts due to banks	104.1	152.3
Customer deposits and other funds on deposit	461.8	522.8
Financial liabilities at fair value through P&L	149.3	188.4
Debt securities in issue/other borrowed funds	149.3	127.7
Total liabilities (including minority interests) (1)	**1,153.7**	**1,302.0**
Non-voting equity securities	10.0	10.0
Shareholders equity (parent)	19.6	15.1
Shareholders equity per ordinary share (in EUR)	9.67	7.44

(1) For a complete balance sheet reference is made to page 16: Condensed Consolidated Balance Sheet of ING Group

Total assets

Total assets decreased by EUR 144.3 billion, or 10.9%, in the first six months of 2009 to EUR 1,184.3 billion from EUR 1,328.6 billion at December 31, 2008, primarily reflecting a decrease of Loans and advances to customers of EUR 31 billion, a decrease of Financial assets at fair value through P&L of EUR 42 billion and a decrease of Investments of EUR 51 billion.

Loans and advances to customers

Loans and advances to customers decreased by EUR 31 billion, or 5.0%, to EUR 586 billion at June 30, 2009. Of this amount EUR 31 billion refers to Loans and advances to customers within insurance operations and EUR 555 billion relates to Loans and advances to customers within banking operations. The decrease in the banking operations of EUR 37 billion took place in the Netherlands mainly due to netting of current account balances, which is mirrored on the liability side in customer deposits.

Shareholders equity

Shareholders equity increased by EUR 4.5 billion, or 29.8%, to EUR 19.6 billion at June 30, 2009 compared to EUR 15.1 billion at December 31, 2008. This increase was mainly due to unrealized revaluations of debt and equity securities of EUR 6.0 billion, partly offset by the change in cash flow hedge reserve of EUR (1.1) billion and retained net result of EUR (1.1) billion.

Total liabilities

Total liabilities decreased by EUR 148.3 billion, or 11.4%, in the first six months of 2009 to EUR 1,153.7 billion from EUR 1,302.0 billion at December 31, 2008, primarily reflecting decreased Financial liabilities at fair value through P&L by EUR 39 billion, Amounts due to banks by EUR 48 billion and Customer deposits and other funds on deposits by EUR 61 billion.

Amounts due to banks

Amounts due to banks decreased by EUR 48 billion, or 31.6%, to EUR 104 billion in the first six months of 2009 from EUR 152 billion at December 31, 2008 due to a decrease in bank deposits and short-term deposits which are taken as collateral for securities lending and repos.

Financial liabilities at fair value through P&L

The decrease of Financial liabilities at fair value through P&L by EUR 39 billion mainly stems from short term deposits which are held as collateral for securities lending at the banking operations (EUR 10 billion) and was due to the mark-to-market value of the (non) trading derivatives (EUR 27 billion).

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SEGMENT REPORTING

ING Group s segments are based on the management structure of the Group, which is different from its legal structure. The following table sets forth the contribution of ING s six business lines to underlying result before tax for the six months ending June 30, 2009 and 2008:

(EUR millions)	Retail Banking	ING Direct	Commercial Banking	Insurance Europe	Insurance Americas	Insurance Asia/Pacific	Other[(1)]	Total Group
June 30, 2009								
Total income	3,567	1,124	1,862	6,460	8,553	4,103	(1,108)	24,560
Total underlying income	3,548	1,040	1,862	6,457	8,684	4,103	(1,112)	24,582
Total expenditure	3,203	1,227	2,283	6,543	9,051	4,091	(248)	26,150
Total underlying expenditure	2,983	1,171	2,073	6,399	8,938	4,051	(257)	25,358
Result before tax	**365**	**(103)**	**(422)**	**(82)**	**(498)**	**11**	**(862)**	**(1,591)**
Divestments				(3)	55		3	54
Special items	200	(28)	210	144	189	41	4	760
Underlying result before tax	**565**	**(131)**	**(211)**	**58**	**(254)**	**52**	**(855)**	**(776)**
June 30, 2008								
Total income	3,884	1,259	3,605	7,938	14,436	7,303	122	38,548
Total underlying income	3,884	1,259	3,605	7,938	12,054	5,538	227	34,505
Total expenditure	2,851	926	1,550	7,202	13,683	6,997	(38)	33,170
Total underlying expenditure	2,688	926	1,550	7,202	11,583	5,232	(34)	29,147
Result before tax	**1,033**	**333**	**2,056**	**736**	**753**	**306**	**161**	**5,377**
Divestments					(282)		100	(182)
Special items	163						1	164
Underlying result before tax	**1,196**	**333**	**2,056**	**736**	**471**	**306**	**261**	**5,358**

(1) Other mainly includes items not directly attributable to the business lines and intercompany eliminations.

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Retail Banking

	Six months ended June 30,	
	2009	**2008**
	(EUR millions)	
Interest result	2,815	2,780
Commission income	656	825
Investment and Other income	96	280
Total income	**3,567**	**3,884**
Operating expenses	2,664	2,750
Addition to the provision for loan losses	539	101
Total expenditure	**3,203**	**2,851**
Result before tax	**365**	**1,033**
Special items	200	163
Underlying result before tax	**565**	**1,196**

Income

Total income decreased by EUR 317 million, or 8.2%, to EUR 3,567 million, as the EUR 35 million higher interest result was more than offset by EUR 169 million lower commissions and EUR 183 million lower investment income and other income. The slight increase of the interest result is due to EUR 233 million higher interest income in Belgium (improvement of margins and volumes), EUR 33 million higher interest income in Central Europe and EUR 11 million higher interest income in Asia, which compensated the EUR 242 million lower interest income in the Netherlands (margins pressure on savings and deposits). The decrease in commission income was the result of lower fees on asset management related products, lower fees from funds transfer, lower securities business commission and lower other commission. Investment income decreased by EUR 31 million (especially Netherlands and Asia) and Other income decreased by EUR 153 million, partly driven by lower fair value changes on derivatives not eligible for hedge accounting at ING Bank Turkey, as well as lower financial markets products related income in the mid-corporate segment.

Expenses

Operating expenses decreased by EUR 86 million, or 3.1%, from EUR 2,750 million to EUR 2,664 million, despite the special items (EUR 163 million in the first half of 2008 and EUR 219 million in the first half of 2009, mainly provisions and costs related to the Retail Netherlands Strategy and the restructuring as part of the Bank initiative to reduce operating expenses by EUR 650 million in 2009). Excluding these special items, operating expenses decreased by EUR 143 million, or 5.5%. In the Benelux, operating expenses were 3.5% lower, driven by cost-containment measures, especially in IT, and helped by a one-off release in the employee benefits provision. Outside the Benelux, operating expenses fell 13.9%, attributable to cost-cutting measures and favorable currency impacts. The cost/income ratio deteriorated to 74.7% in the first half of 2009 from 70.8% in the first six months of 2008. Excluding special items, the underlying cost/income ratio deteriorated to 68.9% from 66.6%.

Result before tax and underlying result before tax

Result before tax decreased by EUR 668 million, or 64.7%, mainly due to EUR 317 million lower income and a strong increase of the addition to the provision for loan losses by EUR 438 million, reflecting the economic downturn especially in the SME and mid-corporate segments in the Benelux, only partly compensated for by lower expenses. Excluding special items, mainly provisions and costs related to the Retail Netherlands Strategy and the restructuring as part of the Bank initiative to reduce operating expenses by EUR 650 million in 2009, underlying result before tax decreased by EUR 631 million, or 52.8%. Underlying result before tax in the Netherlands fell by EUR 464 million, due to EUR 242 million lower interest result (lower margins on savings and deposits due to strong competition), EUR 89 million lower commission income and EUR 127 million higher addition to the provision for loan losses. Underlying result before tax in Belgium increased by EUR 104 million, as a EUR 107 million higher addition to the provision for loan losses was more than offset by EUR 182 million higher income (driven by higher volumes and margins) and EUR 29 million lower operating expenses. Central Europe decreased by EUR 104 million, as EUR 66 million lower operating expenses could not compensate for EUR 102 million lower income and EUR 68 million higher addition to the provision for loan losses. In Asia, the underlying result before tax declined by EUR 168 million, mainly due to the EUR 135 million higher addition to the provision for loan losses. Lower commission income and investment income were partly offset by higher interest result and lower expenses.

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ING Direct

	Six months ended June 30,	
	2009	**2008**
	(EUR millions)	
Interest result	1,518	1,175
Commission income	75	25