ING GROEP NV
Form 6-K
September 23, 2005

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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, 2005
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): _______

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 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 SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-84226) OF ING GROEP N.V. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

PRESENTATION OF INFORMATION

In this Report on Form 6-K (Form 6-K), ING Groep N.V. refers to the ING holding company incorporated under the laws of the Netherlands, and references to ING , ING Group , the Company and the Group refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V. s primary insurance and banking subholdings 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.

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.

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, including in particular economic conditions in ING s core markets,
- changes in performance of financial markets, including emerging markets,
- 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, including the euro/U.S. dollar exchange rate,
- increasing levels of competition in the Netherlands, Belgium, the Rest of Europe, the United States and other markets in which we do business, including emerging markets,
- changes in laws and regulations,
- regulatory changes relating to the banking or insurance industries,
- changes in the policies of central banks and/or foreign governments,
- general competitive factors, in each case on a global, regional and/or national basis.

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.

CHANGES IN PRESENTATION

ING Group applies International Financial Reporting Standards as endorsed by the European Union (EU). IFRS as endorsed by the EU differs from full IFRS as promulgated by the International Accounting Standards Board only in respect of IAS 39 (Financial instruments) in the following areas:

- elimination of the option to measure non-trading financial liabilities at fair value;
- elimination of certain restrictions concerning hedge accounting for portfolio hedges of core deposits.

ING Group adopted IFRS as endorsed by the EU (IFRS) as of 2005. The six months 2004 figures have been restated to comply with IFRS. However, as permitted under IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS 1), the 2004 comparatives exclude the impact of IAS 32, Financial Instruments: Disclosure and Presentation (IAS 32), IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 4, Insurance Contracts (IFRS 4), which were implemented starting from January 1, 2005. In the first half of 2005, IAS 32, 39 and IFRS 4 had a total positive impact of approximately EUR 80 million on the reported net profit. For the insurance operations,

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the standards had a positive net impact of approximately EUR 10 million, mainly due to the revaluation of non-trading derivatives, as well as prepayment penalties on mortgages and realized gains on bonds, which are no longer amortized. In the banking operations, the impact of IAS 32 and 39 was approximately EUR 70 million after tax, mainly due to unrealized results on voluntary trade assets, realized gains on the sale of bonds and higher prepayment penalties on mortgages. That was partially offset by the negative revaluation of non-trading derivatives and the asymmetrical accounting for market-making in ING bonds.

Subsequent to announcing six months 2004 results and filing of the related press release with the Dutch regulators (which press release was subsequently furnished to the SEC in a Form 6-K on August 5, 2004), but prior to the filing with the SEC of unaudited condensed consolidated financial statements at and for the six months ended June 30, 2004 in a Form 6-K on November 5, 2004, ING finalized an actuarial study of the mortality experience of ING s individual reinsurance business in the U.S. that indicated a deficiency in reserves for such business. Accordingly, ING recognized a charge of EUR 164 million in its unaudited condensed consolidated financial statements at and for the six months ended June 30, 2004 to reflect this new information. For purposes of local reporting in the Netherlands, this charge was reported in the third quarter 2004 results as announced in a press release dated November 4, 2004. For purposes of consistency, the six months figures 2004 included in this Form 6-K are consistent with the June 30, 2004 amounts reported in the unaudited condensed consolidated financial statements included in the Form 6-K filed on November 5, 2004.

RECENT DEVELOPMENTS

On July 14, 2005 ING Group announced that ING Comercial América, the insurance company of ING in Mexico, has been notified by a local court in Mexico City about a ruling in the judicial process with regard to a civil claim involving the Mexican company Grupo Fertinal S.A. and certain affiliates. According to this ruling, regardless of the actual damage sustained that resulted in the underlying claim, Grupo Fertinal has been awarded approximately US$275 million under the policy, plus consequential damages of US$25 million. ING Comercial América is studying the ruling and intends to appeal. ING Group expects that, after the final outcome of this judicial procedure, the risk in the policy will be adequately covered by provisions taken as well as reinsurance coverage.

On April 26, 2005 the Annual General Meeting of Shareholders appointed Mr. Jan Hommen (per June 1, 2005) and Ms. Christine Lagarde (per April 27, 2005) as new members of the Supervisory Board. Mrs. Luella Gross Goldberg and Mr. Godfried van der Lugt were reappointed as members of the Supervisory Board of ING Group. Mr. Jan Timmer stepped down as a Supervisory Board member having reached the end of his third term. On June 15, 2005 ING Group announced that Ms. Christine Lagarde resigned from the Supervisory Board of ING Group, after she accepted an invitation to become Minister for Foreign Trade in the Government of France.

On March 25, 2005 ING Bank announced an agreement with the bank of Beijing to acquire up to a 19.9% holding for a consideration of approximately EUR 166 million as part of a broader strategic alliance. Subject to final regulatory approvals, ING Bank will take two seats to join the current 15-person board of directors of the Bank of Beijing as part of the strategic alliance.

On 28 February, 2005 ING announced it would reduce its current stake of 87.77% in Bank Slaski to 75% by the end of March 2005. The transaction involved an offering of 1,661,141 common shares of ING Bank Slaski held by ING Bank N.V., which was completed at the end of March 2005. By reducing its stake in Bank Slaski, ING Group fulfills requirements set by the Polish regulator in 2001. As a result of this transaction a gain of EUR 92 million after tax was booked in the first quarter of 2005.

On January 13, 2005 ING Canada announced that the underwriters of its initial public offering had exercised their over-allotment option in full and purchased an additional 5,232,000 common shares of ING Canada at the offering price of CDN$26 for gross proceeds of CDN$136 million. The total proceeds of the IPO of CDN$1,043 million resulted in a net gain for ING Group of about EUR 285 million after tax in 2004, EUR 19 million after tax was booked in the first quarter of 2005. Following the offering ING Group held approximately 70% of the common shares of ING Canada.

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CHANGES IN COMPOSITION OF THE GROUP

On June 17, 2005 ING and GE Commercial Finance completed the restructuring of the companies working capital finance joint venture, NMB Heller as announced on December 22, 2004. The restructuring has led to a capital gain of EUR 47 million after tax, booked in the second quarter of 2005.

On June 6, 2005 ING Group reached agreement with TBIH Financial Services Group N.V. on the acquisition of VSP Tatry Sympatia, the management company of the leading private pension fund in the Slovak Republic. The value of the transaction is approximately EUR 35 million and is subject to regulatory approvals.

On May 19, 2005 ING Group closed the sale of Life Insurance Company of Georgia to Jackson National Life Insurance Company, as announced on November 18, 2004. The loss from this transaction was EUR 39 million after tax and was booked in the second quarter of 2005.

On March 31, 2005 ING Group finalized the sale of Baring Asset Management, as agreed on November 22, 2004, to MassMutual Financial Group and Northern Trust Corp, with effect from March 31, 2005. As earlier disclosed, the sales resulted in a gain of EUR 269 million after tax and was booked in the first quarter of 2005.

On February 18, 2005 ING Group and KPN (Koninklijke PTT Nederland) finalized the sale of internet provider Freeler to KPN. The signing of the letter of intent regarding the purchase of Freeler by KPN was announced on December 9, 2004. The gain from this transaction was EUR 10 million after tax and was booked in the first quarter of 2005.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate).

	U.S. dollars per euro			
Calendar Period	**Period End**	**Average Rate(1)**	**High**	**Low**
2000	0.9388	0.9207	1.0335	0.8270
2001	0.8901	0.8909	0.9535	0.8370
2002	1.0485	0.9495	1.0485	0.8594
2003	1.2597	1.2074	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005 through August 31, 2005	1.2330	1.2640	1.3476	1.1917

(1) The average of the Noon Buying Rates on the last business day of each full calendar month during the period.

The Noon Buying Rate at such dates differed from the rates used in the preparation of ING s Consolidated Financial Statements. The rate used by ING Group in translating U.S. dollar denominated assets and liabilities as at June 30, 2005 was EUR 1.00 = US$1.2071 (January 1, 2005: EUR 1.00 = US$1.3645). The average rate used by ING Group in translating U.S. dollar denominated income and expenses for the six months ending June 30, 2005 was EUR 1.00 = US$1.2893 (six months ending June 30, 2004: EUR 1.00 = US$1.2277).

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CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth the consolidated results of operations of ING Group for the six months ended June 30, 2005 and 2004:

	Six months ended June 30,	
	2005	**2004**
	(EUR millions)	
Total income	35,113	33,898
Total expenditure	30,731	30,164
Profit before tax:		
Insurance operations	1,816	1,860
Banking operations	2,566	1,874
Profit before tax	**4,382**	**3,734**
Taxation	766	962
Third-party interests	124	143
Net profit	**3,492**	**2,629**

The following table sets forth the profit before tax of the Group s consolidated operations by business line for the six months ended June 30, 2005 and 2004:

	Six months ended June 30,	
	2005	**2004**
	(EUR millions)	
Insurance Europe	1,005	861
Insurance Americas	939	565
Insurance Asia/Pacific	225	537
Wholesale Banking	1,552	1,094
Retail Banking	870	648
ING Direct	254	203
Other [(1)]	(463)	(174)
Profit before tax	**4,382**	**3,734**

(1) Other insurance results includes the positive currency hedge result in 2004, interest on core debt and results on old reinsurance activities in

2004. Other banking results consist mainly of interest expenses that are not allocated to the different business lines.

Total income. Total income of ING Group for the six months ended June 30, 2005 increased by EUR 1,215 million, or 3.6% to EUR 35,113 million, from EUR 33,898 million for the six months ended June 30, 2004, reflecting an increase in income from the Group s insurance and banking operations of 2.1% and 9.6%, respectively.

Total expenditure. Total expenditure for the six months ended June 30, 2005 increased by EUR 567 million, or 1.9%, to EUR 30,731 million, from EUR 30,164 million for the six months ended June 30, 2004, reflecting an increase in expenditure for the Group s insurance operations of 2.4% and a decrease in the banking operations of 1.7%.

Profit before tax. The profit before tax of the Group for the six months ended June 30, 2005 increased by EUR 648 million, or 17.4%, to EUR 4,382 million, from EUR 3,734 million for the six months ended June 30, 2004, reflecting a decrease of 2.4% and an increase of 36.9%, respectively, for the Group s insurance and banking operations. The three banking business lines increased strongly, driven by a sharp decline in risk costs, gains on investments and higher income. The insurance business in Europe and Americas showed good results driven by strong increases in both life insurance (Netherlands, Central Europe and United States) and non-life insurance (Netherlands and Canada). Insurance Asia/Pacific decreased due to a decision to strengthen the reserves in Taiwan as a result of the low interest-rate environment, as discussed below under Insurance Operations Reserve-adequacy

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testing , which offset strong growth elsewhere in the region and the sale of the Australian non-life business in 2004. The impact of divestments on profit before tax for the insurance and banking operations is provided below:

Impact of divestments on profit before tax

	Insurance Six months ended June 30,		Banking Six months ended June 30,		Total Six months ended June 30,	
EUR millions	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Gains/losses on divestments	(49)	(33)	394	(84)	345	(117)
Profit before tax from divested units	12	82	14	98	26	180
Total	**(37)**	**49**	**408**	**14**	**371**	**63**

Taxation. The Group s taxes for the six months ended June 30, 2005 decreased to EUR 766 million from EUR 962 million for the six months ended June 30, 2004. This represents a decrease in the overall effective tax rate to 17.5% for the six months ended June 30, 2005, from 25.8% for the six months ended June 30, 2004, mainly due to a lower statutory tax rate in the Netherlands, high tax-exempt gains on divestments and private equity, as well as EUR 135 million in releases from the tax-contingencies reserve due to the favorable resolution of some pending corporate income tax matters.

Net profit. Net profit for the six months ended June 30, 2005 increased by EUR 863 million, or 32.8%, to EUR 3,492 million from EUR 2,629 million for the six months ended June 30, 2004. Net profit from banking increased 65.0% to EUR 2,062 million, mainly as a result of low risk costs, lower taxes, and realized gains on divestments. Net profit from insurance increased 3.7% to EUR 1,430 million mainly due to lower taxes.

Capital ratios. The debt/equity ratio of ING Groep N.V. improved to 9.8% from 10.9% at January 1, 2005. The improvement was caused by a EUR 5.4 billion increase in the Group capital and reserves (excluding third-party interests) due to retained earnings and revaluations. That was partially offset by an increase of EUR 0.1 billion in core debt. The capital coverage ratio for ING s insurance operations increased to 228% of regulatory requirements at the end of June, compared with 201% at January 1, 2005. The Tier-1 ratio of ING Bank N.V. stood at 7.20% on June 30, 2005, up from 7.00% on January 1, 2005, well above the regulatory required minimum level of 4%.

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CONSOLIDATED ASSETS AND LIABILITIES

The following table sets forth ING Group s consolidated assets and liabilities at June 30, 2005 and January 1, 2005:

(amounts in EUR billion, except for amounts per share)	June 30, 2005	Jan. 1, 2005
Financial assets marked-to-market	217.7	182.8
Investments	312.8	265.6
Loans and advances to customers	435.8	390.8
Total assets	**1,107.1**	**964.5**
Insurance and investment contracts	247.6	218.6
Amounts due to banks	129.3	95.6
Customer deposits and other funds on deposit	445.7	395.7
Debt securities in issue/other borrowed funds	107.0	107.2
Total liabilities	**1,070.1**	**934.1**
Capital and reserves	35.3	28.3
Capital and reserves per ordinary share	16.27	13.00

Total assets. Total assets increased by EUR 142.6 billion, or 14.8%, in the first six months of 2005 to EUR 1,107.1 billion from EUR 964.5 billion at January 1, 2005, reflecting, amongst others, increased loans and advances to customers of EUR 45.0 billion and increased investments of EUR 47.2 billion.

Loans and advances to customers. Loans and advances to customers increased by EUR 45.0 billion, or 11.5%, to EUR 435.8 billion at June 30, 2005. Of this amount EUR 37.8 billion refers to loans and advances to customers insurance operations and EUR 403.4 billion relates to loans and advances to customers banking operations, of which EUR 244.6 billion is related to corporate lending and EUR 162.4 billion to personal lending.

Capital and reserves. Group capital and reserves increased by EUR 7.0 billion, or 24.8%, to EUR 35.3 billion at June 30, 2005 compared to EUR 28.3 billion at January 1, 2005. This increase was mainly due to retained net profit of EUR 3.5 billion, unrealized revaluations on debt securities of EUR 1.8 billion, exchange rate differences of EUR 1.6 billion, unrealized revaluations on equities of EUR 0.8 billion and a change in cash-flow hedge reserve of EUR 0.8 billion, mainly offset by the cash dividend payment of EUR (1.3) billion.

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INSURANCE OPERATIONS

Reserve-adequacy testing

For many years ING has applied an annual test to assess whether insurance reserves are adequate to meet the estimated future payments on in-force policies using a prudent 90% confidence level. This 90% standard is more conservative than the U.S. GAAP loss-recognition test, which is based on best-estimate assumptions with no prudently margins. In addition to the insurance reserves, ING also holds capital for unexpected risks so that the reserves plus capital meet a confidence level of 99.95% consistent with a target AA rating by Standard & Poor s.

Despite the low interest-rate environment in many markets, the reserves for the insurance activities of ING Group as a whole are more than adequate on the basis of the prudent 90% internal standard and all regulatory testing. On a stand-alone basis, the insurance reserves are adequate on the prudent 90% basis for all business units, except Taiwan. Using a 50% confidence level as a best-estimate test, Taiwan s reserves are still adequate.

Taiwan s inadequacy at 90% is related entirely to an old block of life insurance contracts with long-term interest-rate guarantees of up to 8% which date back to before 2001. Newer products have much lower embedded guarantees of approximately 2%. Further declines in interest rates in Taiwan in the second quarter, as well as the effect of currency exchange rates, modelling refinements and product experience have caused the earlier-reported inadequacy in Taiwan to widen to the extent that Insurance Asia/Pacific as a region now also has a reserve inadequacy based on the 90% standard.

The magnitude of the inadequacy is highly sensitive to interest rates and other assumptions, such as product persistency and mortality. As a result, the inadequacy can only be reliably estimated within a broad range and is bound to vary significantly from quarter to quarter as interest rates change. At June 30, 2005, the reserve inadequacy range for Taiwan is EUR 2.8 to 3.3 billion based on the 90% standard, representing an estimate of the additional liability that could result over the remaining average life of the old block of business, which is approximately 40 years. For Insurance Asia/Pacific the range of the shortfall is EUR 1.5 to 2.0 billion.

The shortfall in Taiwan is equal to about 1% of the Group s total insurance reserves, and is more than fully compensated by reserves above the prudent 90% level at other insurance units. Nevertheless, in accordance with ING s policy under these circumstances to restore reserve adequacy over time, ING has decided to strengthen reserves in Taiwan and consider other structural improvements. A charge of EUR 80 million was accordingly taken to strengthen reserves in the first half of 2005.

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The Group s insurance operations contributed EUR 1,816 million and EUR 1,860 million, respectively to the Group s profit before tax for the six months ended June 30, 2005 and 2004, and EUR 1,430 million and EUR 1,379 million, respectively to the Group s net profits in these periods. The following table sets forth selected financial information for the Group s consolidated insurance operations for the six months ended June 30, 2005 and 2004:

	Six months ended June 30,	
	2005	**2004**
	(EUR millions)	
Income from insurance operations:		
Gross premiums written:		
Life	19,047	18,139
Non-life	3,577	3,755
Total	22,624	21,894
Net premiums written:		
Life	18,078	17,656
Non-life	3,261	3,329
Total	21,339	20,985
Investment income	4,726	4,718
Commission income	622	587
Other income	176	364
Total income	**28,148**	**27,563**
Expenditure from insurance operations:		
Underwriting expenditure	23,329	22,866
Other interest expenses	535	541
Operating expenses	2,466	2,272
Impairments/investment losses	2	24
Total expenditure	**26,332**	**25,703**
Profit from insurance operations before tax:		
Life	1,104	1,013
Non-life	712	847
Profit before tax	**1,816**	**1,860**
Taxation	277	429
Third-party interests	109	52
Net profit	**1,430**	**1,379**

In the second quarter of 2005, ING completed the sale of Life Insurance Company of Georgia (USA). The pre-tax loss was EUR 78 million and the after tax loss was EUR 39 million. The decision to exit the individual life reinsurance business in the United States affected the profit before tax and the net profit for the six months ended June 30, 2004 negatively by EUR 252 million and EUR 164 million, respectively. A gain on the sale of ING s non-life joint venture in Australia affected the profit before tax for the six months ended June 30, 2004 by EUR 219 million (after tax by EUR 146 million). In addition, a few smaller acquisitions and divestments affected changes in income and profit (e.g. Freeler, IPO Canada). Furthermore, one-off gains from old reinsurance activities affected income and profit before tax for the six months ended June 30, 2004 by EUR 96 million (after tax EUR 92 million).

The following table sets forth the breakdown of gross premiums written and profit before tax by business line / geographical area for the Group s consolidated insurance operations for the six months ended June 30, 2005 and 2004:

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	Gross premiums written Six months ended June 30,		Profit before tax Six months ended June 30,	
	2005	**2004**	**2005**	**2004**
	(EUR millions)		**(EUR millions)**	
The Netherlands	3,920	4,182	796	700
Belgium	876	1,193	81	71
Central Europe (including Spain)	777	671	128	90
Insurance Europe	*5,573*	*6,046*	*1,005*	*861*
North America	9,900	10,444	818	456
Latin America	972	1,086	121	109
Insurance Americas	*10,872*	*11,530*	*939*	*565*
Asia	6,103	3,554	130	196
Australia	64	749	95	341
Insurance Asia/Pacific	*6,167*	*4,303*	*225*	*537*
Other(1)	82	92	(353)	(103)
Premiums between geographic areas(2)	(70)	(77)		
Total	**22,624**	**21,894**	**1,816**	**1,860**

(1) Other includes the positive currency hedge result in 2004, interest on core debt and results on old reinsurance activities in 2004.

(2) Represents reinsurance premiums ceded between Group companies in various geographical areas.

Total income. Total income from insurance operations for the six months ended June 30, 2005 increased by EUR 585 million, or 2.1% to EUR 28,148 million from EUR 27,563 million for the six months ended June 30, 2004, reflecting increases in gross premiums written of the life insurance operations and in commission income, partly offset by lower gross premiums written of the non-life insurance operations and lower other income. Some life products were reclassified as investment contracts under IFRS 4, and, therefore, considerations received in 2005 on these contracts are not reported as premiums. Excluding reclassifications, divestments and currency effects, income increased by 9.6% on a comparable base.

Gross premiums written in the Group s life operations increased by 5.0% but gross premiums written in non-life operations decreased by 4.7%. Total gross premiums written increased by 3.3%. Excluding reclassifications resulting from the application of IFRS which negatively affected growth in gross premiums by EUR (1,173) million, the effect of exchange rate movements, which negatively affected growth in gross premium income by EUR (365) million (mainly due to the strengthening of the euro versus the US dollar) and the effect of acquisitions and divestments, which negatively affected growth in gross premium income by EUR (44) million, gross premium income for the Group increased by EUR 2,312 million, or 11.5%, over the first six months of 2004 (life operations 14.8% and non-life operations (3.9)%), led by Belgium, Central Europe and Asia.

Investment income increased by EUR 8 million or 0.2% to EUR 4,726 million in the first six months of 2005 as compared to the first six months of 2004. Higher gains on equities, bonds and real estate were offset by a negative impact from currencies, lower interest rates and divestments.

Commission income increased by EUR 35 million, or 6.0% to EUR 622 million, led by an increase in Australia due to a reclassification of products from life insurance to investment products under IFRS 4.

Other income decreased by EUR 188 million, or 51.6% to EUR 176 million, due to the loss of EUR 78 million on the sale of Life of Georgia in the first six months of 2005 and a one-off gain from discontinued reinsurance activities of EUR 96 million and the gain on a US dollar hedge of EUR 158 million included in the first six months of 2004. In addition, in 2005 other income is impacted by EUR 123 million higher results from minority interests mainly due to the deconsolidation of some real estate funds and EUR 55 million valuation results from non-trading derivatives (IFRS impact, nil in 2004).

Operating expenses. Operating expenses for the Group s insurance operations over the first six months of 2005 increased by EUR 194 million, or 8.5%, to EUR 2,466 million, from EUR 2,272 million for the first six months 2004. However, excluding investments/divestments and exchange rate differences, operating expenses increased by 10.8%, while gross premiums written increased by

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11.5% on a comparable base. All business lines generated higher operating expenses. In the Netherlands, operating expenses rose largely as a result of a new collective labour agreement and investment in operations and IT projects. Operating expenses in Canada rose due to the integration of Allianz Canada, while operating expenses in Asia/Pacific increased to support the continued growth of the business.

Impairments/investment losses. Impairments/investment losses dropped to EUR 2 million, or 1 basis point of total fixed-interest securities, which is far below the normalized level of about 20 basis points. In the first six months of 2004, impairments/investment losses amounted to EUR 24 million, or 4 basis points of total fixed-income securities.

Profit before tax. The profit before tax from the Group s insurance activities for the six months ended June 30, 2005 decreased by EUR 44 million, or 2.4%, to EUR 1,816 million, from EUR 1,860 million for the six months ended June 30, 2004, reflecting an increase in profits of the life operations by 9.0% and a decrease of the non-life operations by 15.9%. However, excluding investments/divestments and exchange rate differences profit before tax increased by EUR 199 million or 12.0% on a comparable base. The increase in profit of the life operations on a comparable base was 7.8% driven by higher results in the US, Central Europe, the Netherlands and Australia. The profit growth of the non-life operations on a comparable base was 19.9% driven by continued strong underwriting results in Canada as well as higher results in the Netherlands and the US, supported by a lower claims ratio. The combined ratio deteriorated slightly to 90% from 89% due to a higher expense ratio.

Taxation. The effective tax rate for the Group s insurance operations for the six months ended June 30, 2005 was 15.3%, 7.8%-point lower than the 23.1% rate for the six months ended June 30, 2004. The decrease was due to a lower statutory tax rate in the Netherlands, high tax-exempt gains on divestments and private equity, as well as EUR 100 million in releases from the tax-contingencies reserve due to the favourable resolution of some pending corporate income tax matters.

Third-party interests. The increase in third-party interest with EUR 57 million to EUR 109 million in six months ended June 30, 2005 is mainly due to non-life Canada; ING s stake in ING Canada declined from 100% on June 30, 2004 to 70% on June 30, 2005.

Net profit. The net profit for the Group s insurance operations for the six months ended June 30, 2005 increased by EUR 51 million, or 3.7%, to EUR 1,430 million, from EUR 1,379 million for the six months ended June 30, 2004.

Life insurance operations

The following table sets forth the breakdown of gross premiums written and profit before tax by business line/geographical area for the Group s consolidated life insurance operations for the six months ended June 30, 2005 and 2004:

	Gross premiums written Six months ended June 30,		Profit before tax Six months ended June 30,	
	2005	2004	2005	2004
	(EUR millions)		(EUR millions)	
The Netherlands	2,781	3,070	619	581
Belgium	698	1,013	58	52
Central Europe (incl. Spain)	752	647	124	85
Insurance Europe	*4,231*	*4,730*	*801*	*718*
North America	8,384	9,082	418	193
Latin America	280	242	53	43
Insurance Americas	*8,664*	*9,324*	*471*	*236*
Asia	6,083	3,534	128	194
Australia	64	546	95	68
Insurance Asia/Pacific	*6,147*	*4,080*	*223*	*262*
Other	7	5	(391)	(203)
Premiums between geographic areas	(2)			

Total	**19,047**	**18,139**	**1,104**	**1,013**

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Premium income. Gross premium income of the Group s life operations for the six months ended June 30, 2005 increased by EUR 908 million, or 5.0%, to EUR 19,047 million, from EUR 18,139 million for the six months ended June 30, 2004. Excluding reclassifications resulting from the application of IFRS which negatively affected growth in gross premiums by EUR (1,173) million, the effect of exchange rate movements, which negatively affected growth in gross premium income by EUR (366) million (mainly due to the strengthening of the euro versus the US dollar) and the effect of acquisitions and divestments, which negatively affected growth in gross premium income by EUR (5) million, gross premium income for the Group s life operations increased by EUR 2,452 million, or 14.8%, over the first six months of 2004, driven by a strong increase in Asia/Pacific (Japan more than doubled premium income), partially offset by lower premiums in the Netherlands and US.

Profit before tax. The profit before tax from life insurance operations for the six months ended June 30, 2005 increased by EUR 91 million, or 9.0%, to EUR 1,104 million, from EUR 1,013 million for the six months ended June 30, 2004. All regions except Asia and Other showed an increase. On a comparable base the increase was EUR 84 million or 7.8%.

Insurance Europe

In *the Netherlands*, profit before tax for the six months ended June 30, 2005 increased by EUR 38 million, or 6.5%, to EUR 619 million, from EUR 581 million for the six months ended June 30, 2004, mainly due to higher investment results (private equity and real estate) as well as the impact of IFRS (partially as a result of revaluation of embedded derivatives in guaranteed separate account contracts), partially offset by higher expenses due to higher salaries related to a new collective labour agreement, higher marketing costs as well as investments in operations and IT projects. Life premiums decreased by 9.4% mainly due to lower sales of single-premium products as a result of rate adjustments to improve profitability. However, the internal rate of return on new life business increased significantly to 13.6% from 11.0% in 2004, whereas the value of new business improved from EUR 30 million to EUR 47 million due to improved margins.

In *Belgium*, profit before tax increased by EUR 6 million to EUR 58 million due to higher investment income (dividends) and strong results in unit link products. Life premium income was 31.1% lower due to the reclassification of some products to investment contracts under IFRS. Excluding that impact, life insurance premium income increased by 11.9%.

In *Central Europe (including Spain),* profit before tax for the six months ended June 30, 2005 increased by EUR 39 million to EUR 124 million mainly due to higher profits in Poland, Hungary and Czech Republic. Lower expenses and higher investment and premium income were the main drivers for this development. ING started a private pension fund in Slovakia at the beginning of 2005. Life premiums increased by 16.2%.

Insurance Americas

In *North America, i.e. the US*, profit before tax for the six months ended June 30, 2005 increased by EUR 225 million to EUR 418 million, from EUR 193 million for the six months ended June 30, 2004, primarily due to the decision in 2004 to exit the individual life reinsurance business, which affected the profit before tax negatively by EUR 252 million in six months ended June 30, 2004. Excluding this charge, the loss on the sale of Life of Georgia (EUR (78) million) and the profit from discontinued business of Life of Georgia (EUR 12 million in six months 2005 as well as in 2004) and of ING Reinsurance (EUR 16 million in six months 2004) profit before tax of life insurance operations in the US increased by 16.1% to EUR 484 million, driven by strong growth in asset levels over the past year, due to improved investment performance, continued sales growth and good persistency, particularly in annuities. The composite margin after credit-related gains and losses increased sharply to 160 basis points from 138 basis points in the second quarter of 2004, propelled by lower credited rates, higher prepayment penalty income on fixed-income securities and low credit losses.

Premium income declined by EUR 698 million or 7.7% to EUR 8,384 million, mainly due to the lower U.S. dollar, which had a negative impact of EUR 398 million. Premiums were also impacted by a change in the accounting for investment contracts under IFRS 4 (impact EUR (298) million) as well as lower single premiums in the life business. Premium income from variable annuities increased, driven by higher sales of products with living-benefit features. The internal rate of return rose to 10.7% for the first half year 2005, compared with 9.5% for the six months ended June 30, 2004, as a result of higher pricing of new products.

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In *Latin America,* profit before tax of EUR 53 million for the six months ended June 30, 2005, of which EUR 28 million was attributable to Mexico, was EUR 10 million higher than in the same period in 2004, mainly due to higher results in Chile of EUR 7 million, driven by higher realized gains on fixed income securities. Mexico generated slightly higher results mainly due to higher commission income.

Insurance Asia/Pacific

In *Asia,* profit before tax for the six months ended June 30, 2005 decreased by EUR 66 million to EUR 128 million, from EUR 194 million for the six months ended June 30, 2004.

In *Taiwan*, due to a further decrease in the already low interest rate, a strengthening of the Taiwan dollar, modelling refinements and product experience, reserves have become inadequate according to ING s 90% requirement. ING Group uses a prudent 90% confidence level for assessing the reserve adequacy of its business units, which is more conservative than the loss-recognition test used under U.S. GAAP. Using a 50% confidence level, reserves in Taiwan remain adequate. Nonetheless, ING has decided to strengthen reserves to prevent the 90% reserve inadequacy, under current assumptions, from increasing further. As a consequence, a charge of EUR 80 million before tax was taken in the second quarter, and the results from Taiwan are nil for the first half of 2005 (pre-tax profit EUR 71 million in first six months 2004, after a charge of EUR 50 million to strengthen the reserves due to the low interest environment). The inadequacy relates to an old block of business with embedded high interest-rate guarantees dating to before 2001, and such high guarantees were discontinued in 2002. New business production in Taiwan contributed EUR 48 million to the value of new life business in the first half of 2005.

In *Japan* profit before tax declined by 4.3% to EUR 44 million, due entirely to currency effects. Profit growth related to the strong sales of single-premium variable annuities was offset by less favourable claims experience at the corporate-owned life insurance business. Premium income from single-premium variable annuities increased sharply to EUR 2,698 million from EUR 790 million as a result of strong sales through a diversified distribution network of regional and national banks, securities brokers and independent agents.

In *South Korea*, profit before tax rose 44.2% to EUR 75 million, due to continued strong growth in premium income and an increase in the scale of the in-force business, which was offset in part by higher claims. Premium income rose 43.8%, driven by higher sales through the tied agency network and continued high persistency on existing contracts. Premiums were also boosted by new products introduced by ING Life Korea, new bancassurance distribution agreements, as well as the launch of the bancassurance joint venture with Kookmin Bank, KB Life, in the first quarter of 2005. Profit in the second quarter of 2005 was negatively impacted by a EUR 16 million unrealized loss on cash-flow hedges, which were determined not to qualify for hedge accounting under IFRS.

In the *Rest of Asia*, profit before tax declined to EUR 9 million from EUR 25 million in the first half of 2004, when results were positively impacted by the release of a EUR 30 million reserve for a wage tax assessment. ING s 30% owned mutual fund joint venture, China Merchant Funds Management Company Ltd., made a positive contribution to profit before tax by raising more than EUR 1.7 billion in its Cash Enhancement Fund. It now has EUR 3.3 billion of assets under management, and is the largest non-domestic asset manager in the country.

The profit before tax in *Australia* increased by EUR 27 million to EUR 95 million mainly due to EUR 8 million higher profit from the life insurance and wealth management joint venture. Profit before tax also includes EUR 28 million (EUR 11 million in the first six months of 2004) from ING s holding company in Australia, including additional interest income from the sales proceeds related to the non-life joint venture. The Australian investment management business posted a profit of EUR 5 million, up 12.9% from the first half last year. Life premium income declined to EUR 64 million from EUR 546 million, due to the reclassification of the majority of products from life insurance to investment products under IFRS.

Other

The profit before tax of *Other* decreased on balance by EUR 188 million mainly, due to EUR 158 million hedge profit in first six months 2004 (ING decided to stop hedging its US dollar exposure from 2005), and in addition, EUR 28 million higher paid interest on core debt.

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Non-life insurance operations

The following table sets forth the breakdown of gross premiums written and profit before tax by business line / geographical area for the Group s consolidated non-life insurance operations for the six months ended June 30, 2005 and 2004:

	Gross premiums written Six months ended June 30,		**Profit before tax Six months ended June 30,**	
	2005	**2004**	**2005**	**2004**
	(EUR millions)		**(EUR millions)**	
The Netherlands	1,139	1,112	177	119
Belgium	178	180	23	19
Central Europe (incl. Spain)	24	25	4	5
Insurance Europe	*1,341*	*1,317*	*204*	*143*
North America	1,516	1,362	400	263