

ING GROEP NV  
Form 6-K  
August 02, 2017  
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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**  
**under the Securities Exchange Act of 1934**  
**For the period ended 30 June 2017**  
**Commission File Number 1-14642**

**ING Groep N.V.**

**Bijlmerplein 888**  
**1102 MG Amsterdam**  
**The Netherlands**

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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

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):

This Report on Form 6-K is hereby incorporated by reference into the Registration Statement on Form F-3 (File No. 333- 202880) of ING Groep N.V. and the Registration Statements on Form S-8 (Files Nos. 333-215535, 333-172921, 333-172920, 333-172919, 333-168020, 333-165591, 333-158155, 333-158154, 333-149631, 333-137354, 333-125075, 333-108833, 333-81564) of ING Groep N.V. and shall be a part thereof from the date on which this Report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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Interim report

**Introduction**

ING is a global financial institution with a strong European base, offering a wide range of retail and wholesale banking services to customers in over 40 countries. The Group consists of ING Groep N.V., ING Bank N.V. and other group entities.

ING Group evaluates the results of its Banking segments using a financial performance measure called underlying result. Underlying result is used to monitor the performance of ING Group at a consolidated level and by segment. The Executive Board of ING Group and Management Board of ING Bank consider this measure to be relevant to an understanding of the Group's financial performance because it gives better insight into the commercial developments of the company.

Underlying net result is a non-GAAP financial measure which is defined as result under IFRS-IASB, excluding the impact of divestments, special items and Legacy Insurance. Special Items include items of income and expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities. Legacy Insurance consists of the results from discontinued operations and the results from Insurance Other. Insurance Other reflects (former) insurance related activities that are not part of the discontinued operations. In calculating underlying result for its Banking segments, ING Group also uses the measures underlying net profit, underlying expenses, underlying cost/income ratio and underlying result before tax, each of which are also non-GAAP financial measures. The Executive Board of ING Group and Management Board of ING Bank consider these measures to be meaningful as it helps investors to compare its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses.

The breakdown of underlying net result by segment and the reconciliation between IFRS-IASB and the underlying net result is included in Note 20 Segments .

**ING Group consolidated results****ING Group: Consolidated profit or loss account**

| 6 month period (1 January to 30 June) | Total ING Group |              | of which: Divestments / Special items |      | of which: Insurance Other |            | of which: Underlying Banking |              |
|---------------------------------------|-----------------|--------------|---------------------------------------|------|---------------------------|------------|------------------------------|--------------|
|                                       | 2017            | 2016         | 2017                                  | 2016 | 2017                      | 2016       | 2017                         | 2016         |
| Net interest income                   | 6,711           | 6,515        |                                       |      |                           |            | 6,711                        | 6,515        |
| Net commission income                 | 1,395           | 1,217        |                                       |      | 1                         |            | 1,396                        | 1,217        |
| Total investment and other income     | 1,428           | 382          |                                       |      | 62                        | 136        | 1,490                        | 518          |
| <b>Total income</b>                   | <b>9,534</b>    | <b>8,114</b> |                                       |      | <b>64</b>                 | <b>136</b> | <b>9,598</b>                 | <b>8,250</b> |
| Expenses excl. regulatory costs       | 4,379           | 4,314        |                                       | 17   |                           |            | 4,379                        | 4,297        |
| Regulatory costs                      | 543             | 571          |                                       |      |                           |            | 543                          | 571          |
| Operating expenses                    | 4,922           | 4,884        |                                       | 17   |                           |            | 4,922                        | 4,868        |

|  |              |              |           |           |            |              |              |
|--|--------------|--------------|-----------|-----------|------------|--------------|--------------|
| <b>Gross result</b>                          | <b>4,612</b> | <b>3,229</b> | <b>17</b> | <b>64</b> | <b>136</b> | <b>4,676</b> | <b>3,383</b> |
| Addition to loan loss provisions             | 362          | 571          |           |           |            | 362          | 571          |
| <b>Underlying result before tax</b>          | <b>4,250</b> | <b>2,658</b> | <b>17</b> | <b>64</b> | <b>136</b> | <b>4,314</b> | <b>2,811</b> |
| Taxation                                     | 1,226        | 757          | 4         |           |            | 1,226        | 761          |
| Non-controlling interests                    | 44           | 39           |           |           |            | 44           | 39           |
| <b>net result from continuing operations</b> | <b>2,980</b> | <b>1,862</b> | <b>13</b> | <b>64</b> | <b>136</b> | <b>3,044</b> | <b>2,011</b> |
| Net result from discontinued operations      |              | 442          |           |           |            |              |              |
| <b>Net result ING Group</b>                  | <b>2,980</b> | <b>2,304</b> |           |           |            |              |              |

**ING Group: reconciliation from IFRS-IASB to underlying result**

|   |  |  |  |  |  |              |              |
|---|--|--|--|--|--|--------------|--------------|
| 6 month period (1 January to 30 June)   |  |  |  |  |  | <b>2017</b>  | <b>2016</b>  |
| <b>Net result ING Group</b>             |  |  |  |  |  | <b>2,980</b> | <b>2,304</b> |
| -/- Result from discontinued operations |  |  |  |  |  |              | 442          |
| -/- Insurance Other                     |  |  |  |  |  | 64           | 136          |
| <b>Net result Banking</b>               |  |  |  |  |  | <b>3,044</b> | <b>1,999</b> |
| -/- Divestments/special items           |  |  |  |  |  |              | 13           |
| <b>Underlying net result Banking</b>    |  |  |  |  |  | <b>3,044</b> | <b>2,011</b> |

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Interim report - continued

ING recorded strong results in the first half of 2017, driven by continued business growth and lower risk costs, and supported by a positive swing in fair value changes on derivatives related to assets-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic for which no hedge accounting is applied under IFRS-IASB. The net result under IFRS-IASB was EUR 2,980 million, up 29.4% compared with EUR 2,304 million in the same period of 2016, which included a EUR 442 million net result from discontinued operations as ING sold the remaining equity stakes in NN Group in the first half of 2016. In the first half of 2017, there were no discontinued operations. The net result from continuing operations rose 60.1% to EUR 2,980 million from EUR 1,862 million in the first half of 2016.

In the first half of 2017, ING Group's net result from continuing operations included EUR -64 million from Insurance Other, reflecting a lower valuation of warrants on Voya and NN Group shares compared with year-end 2016, as well as the result on the sale of 6.5 million of warrants on Voya shares. There were no divestments and special items in the first six months of 2017. ING Group's net result from continuing operations in the first six months of 2016 included EUR 13 million of special items after tax, which were fully related to restructuring programmes in Retail Netherlands that had been announced before 2013, and EUR 136 million from Insurance Other, reflecting a lower valuation of warrants on NN Group and Voya shares compared with year-end 2016.

ING's underlying net result Banking, which is the net result from continuing operations excluding special items and Insurance Other, increased 51.4% to EUR 3,044 million from EUR 2,011 million in the first six months of 2016.

**Banking operations****Consolidated results of operations**

Net result from banking operations rose to EUR 3,044 million from EUR 1,999 million in the first six months of 2016. There were no divestments and special items in the first half of 2017, whereas the first half of 2016 included the abovementioned EUR -13 million of special items after tax.

Excluding special items, banking operations posted an underlying net profit of EUR 3,044 million in the first six months of 2017, up 51.4% from EUR 2,011 million in the same period last year.

The underlying result before tax increased 53.5% to EUR 4,314 million from EUR 2,811 million in the first six months of last year. This increase in pre-tax result was positively impacted by a EUR 1,054 million increase in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic. As explained on page 14, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, underlying result before tax rose 14.1% to EUR 3,644 million from EUR 3,195 million in the first six months of last year. Income benefitted from robust commercial performance and was furthermore supported by a EUR 97 million one-time gain on the sale of an equity stake in the real estate run-off portfolio, while the first six months of 2016 included a EUR 200 million one-time gain on the sale of Visa shares. Underlying expenses rose 1.1% on the first six months of last year, while risk costs declined by EUR 209 million, or 36.6%.

Total underlying income rose by EUR 1,348 million, or 16.3%, to EUR 9,598 million in the first half of 2017, due to the aforementioned positive swing in fair changes on derivatives related to asset-liability-management. Excluding this

item, underlying income rose 3.4% to EUR 8,928 million from EUR 8,634 million in the first six months of 2016, with negligible impacts from credit and debt valuation adjustments in both periods. Also excluding the abovementioned one-time gains on Visa shares and the sale of an associate, income was 4.7% higher. Net interest income rose by EUR 196 million, or 3.0%, mainly driven by volume growth, in both customer lending and customer deposits. Net interest income on customer lending rose, mainly driven by higher volumes in non-mortgage lending, partly offset by a slightly lower overall lending margin. The interest result on customer deposits declined, as the impact of volume growth was more than offset by margin pressure on both savings and current accounts due to lower reinvestment yields. Net interest income was furthermore supported by improved interest results on Bank Treasury activities and in the Corporate Line, while Financial Markets interest results were lower. The underlying interest margin improved by one basis points to 1.51% in the first six months of 2017 compared with 1.50% in the same period of last year. Commission income rose 14.7% to EUR 1,396 million from EUR 1,217 million last year. The increase was recorded in most segments and products. Investment income declined to EUR 91 million, from EUR 243 million in the first half of 2016, which included EUR 163 million of gains on the sale of Visa shares related to ING's direct memberships in Visa Europe. Other income excluding the aforementioned fair changes on derivatives related to asset-liability-management rose to EUR 729 million from EUR 659 million last year. The first six months of 2017 included a EUR 97 million one-time gain on the sale of an equity stake from the real estate run-off portfolio, while last year included EUR 38 million of gains on the sale of Visa shares related to ING's indirect membership in Visa Europe. Also excluding these items, other income increased by 1.8%.

Underlying operating expenses increased by EUR 54 million, or 1.1%, to EUR 4,922 million. Expenses in the first six months of 2017 included EUR 543 million of regulatory costs, while the same period of 2016 included EUR 571 million of regulatory costs. Expenses excluding regulatory costs rose by EUR 82 million, or 1.9%, to EUR 4,379 million. The increase was mainly visible in the Retail Challengers & Growth Markets and Wholesale Banking's Industry Lending to support business growth. Cost savings and favourable currency impacts compensated for the impact of one-offs in both periods. The underlying cost/income ratio based on IFRS-EU improved to 55.1% from 56.4% in the first half of 2016.

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Interim report - continued

Net additions to loan loss provisions declined to EUR 362 million from EUR 571 million in the first half of 2016, reflecting improved macroeconomic conditions in most of our segments. The decline was mainly visible in Retail Netherlands and Wholesale Banking. Risk costs were annualised 23 basis points of average risk-weighted assets (RWA) compared with 36 basis points in the first half of 2016, which is well below ING's through-the-cycle guidance range for risk costs of 40-45 basis points of average RWA.

**Retail Netherlands**

Underlying result before tax of Retail Netherlands increased to EUR 1,043 million from EUR 661 million in the first six months of 2016, due to lower operating expenses and risk costs, combined with higher income.

Total underlying income increased by EUR 34 million, or 1.6%, to EUR 2,193 million, compared with EUR 2,159 million in the first six months in 2016. Net interest income declined 2.9%, mainly reflecting lower lending volumes (largely related to the WUB legacy portfolio) and margin pressure on current accounts due to the low interest rate environment, which could only partly be compensated by improved margins on savings accounts and higher volumes in current accounts. Customer lending declined by EUR 1.2 billion in the first half of 2017, of which EUR 1.5 billion was caused by the continued transfer of WestlandUtrecht Bank (WUB) mortgages to NN Group and the run-off in the WUB portfolio, whereas Bank Treasury related items increased by EUR 1.4 billion. Excluding these items, net core lending decreased by EUR 1.1 billion, as a EUR 1.7 billion decline in mortgages was only partly offset by EUR 0.6 billion growth in other lending. Net customer deposits (excluding Bank Treasury) grew by EUR 5.2 billion in the first half year of 2017. Investment and other income rose by EUR 56 million, mainly due to higher allocated Bank Treasury revenues, while last year included a EUR 18 million gain on the sale of Visa shares.

Operating expenses fell 19.9% compared with the first half year of 2016, to EUR 1,121 million. Expenses were higher in the first six months of 2016, mainly due to a EUR 126 million addition to the provision for compensation for SME clients with interest rate derivatives and some additional redundancy costs, but were also supported by benefits coming through from the ongoing cost-saving initiatives.

The net addition to loan loss provisions decreased to EUR 29 million, or 12 basis points of average risk-weighted assets, compared with EUR 99 million, or 35 basis points, in the first half year of 2016. Risk costs are low, reflecting the positive macroeconomic conditions in the Netherlands.

**Retail Belgium**

Retail Belgium's underlying result before tax decreased to EUR 377 million from EUR 507 million in the first six months of 2016, mainly due to higher expenses and slightly lower income, partly offset by lower risk costs.

The underlying income fell by EUR 27 million, or 2.0%, to EUR 1,298 million compared with EUR 1,325 million last year, mainly due to the EUR 30 million one-time gain related to the sale of Visa shares last year. Net interest income declined by EUR 24 million, or 2.5%, reflecting lower prepayment and renegotiation fees on mortgages and lower margins on savings and current accounts. This was partly offset by volume growth. The lending portfolio increased by EUR 2.1 billion in the first half of 2017, of which EUR 1.2 billion was in residential mortgages and EUR 0.9 billion in other lending. Net customer deposits (excluding Bank Treasury) increased by EUR 1.6 billion, entirely in current accounts, while savings recorded an outflow. Commission income was up EUR 21 million, or 10.1%, mainly because



of higher fee income on investment products. Investment and other income decreased to EUR 125 million from EUR 148 million in the first half of 2016, which included a EUR 30 million one-time gain related to the sale of Visa shares.

Operating expenses increased by EUR 142 million, or 19.5%, to EUR 872 million compared with the first half of 2016, which included a EUR 95 million one-off expense adjustment in procured cost. Excluding the expense adjustment, operating expenses rose by EUR 47 million, or 5.7%, partly caused by higher regulatory costs and accelerated depreciation for the branch network.

The net addition to the provision for loan losses declined to EUR 49 million from EUR 89 million a year ago, mainly due to lower risk costs in business lending.

### **Retail Germany**

Retail Germany's underlying result before tax declined to EUR 398 million from EUR 452 million in the first six months of 2016, mainly due to lower income, partly offset by lower risk costs.

The underlying income decreased to EUR 918 million in the first half of 2017 compared with EUR 985 million a year ago, which was supported by a EUR 44 million one-time gain related to the sale of Visa shares. Net interest income declined 2.1% to EUR 821 million, due to lower margins on both customer lending and customer deposits, largely offset by volume growth and higher interest results from Bank Treasury. Despite the reduction of client savings rates, customer deposits increased by EUR 3.8 billion in the first half of 2017. Net core lending, which excludes Bank Treasury products, increased by EUR 1.5 billion, of which EUR 0.9 billion was attributable to residential mortgages and EUR 0.6 billion to consumer lending. Commission income rose 19.3% to EUR 99 million. Investment and other income declined to EUR 2 million due to negative hedge ineffectiveness results from EUR 63 million in the first half of 2016, which included a EUR 44 million one-time gain on the sale of Visa shares.

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Interim report - continued

Operating expenses increased by EUR 4 million, or 0.8%, to EUR 514 million compared with the first half of 2016, supported by a EUR 48 million decline in regulatory costs. Expenses excluding regulatory costs were EUR 447 million, or 13.2% higher than a year ago. The increase was mainly due to higher headcount to support business growth, higher costs related to primary customer acquisition and investments in Project Welcome which aims to digitise ING Germany's platform further.

The net addition to the provision for loan losses decreased to EUR 6 million from EUR 22 million a year ago, reflecting the benign credit environment in Germany.

**Retail Other**

Retail Other's underlying result before tax increased to EUR 481 million from EUR 422 million in the first six months of last year, which included in total a EUR 109 million one-time gain on the sale of Visa shares recorded in a number of countries. Excluding the Visa gain, result before tax rose by 53.7%, reflecting business and revenue growth in most countries, partly offset by higher expenses to support business growth.

Total underlying income increased by EUR 106 million, or 7.7%, to EUR 1,477 million from EUR 1,371 million in the first half year of 2016. When adjusting for the one-time Visa gain, total income was up EUR 215 million, or 17.0%. This increase was driven by improved commercial results across most of the countries reflecting continued client and volume growth. Net interest income increased 17.2% on last year, stemming from higher volumes in most countries and supported by increased margins on lending products, while margins on savings and current accounts and deposits declined. The net production in customer lending (adjusted for currency effects and Bank Treasury) was EUR 4.7 billion in the first half of 2017, with growth mainly in Australia and Poland. The net inflow in customer deposits, also adjusted for currency impacts and Bank Treasury, was EUR 3.8 billion, with largest increases in Australia and Spain.

Operating expenses increased by EUR 62 million, or 7.5%, to EUR 890 million compared with the first half of 2016, of which EUR 12 million was due to higher regulatory costs. Excluding regulator costs, operating expenses rose by EUR 50 million, or 6.7%. This was due to higher marketing and staff expenses, as well as higher investments related to strategic projects.

The net addition to loan loss provisions decreased by EUR 15 million to EUR 107 million compared with EUR 122 million a year ago, supported by a release in Italy reflecting a model update for mortgages.

**Wholesale Banking**

Wholesale Banking's underlying result before tax rose to EUR 2,261 million, from EUR 898 million in the first six months of 2016. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic were EUR 670 million in the first half of 2017, up from EUR 384 million in the first half of 2016. As explained on page 14, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding the aforementioned fair value changes on derivatives related to assets-liability-management activities, the underlying result before tax rose 24.1% to EUR 1,591 million from EUR 1,282 million in the same period last year. The increase was mainly due to higher income and lower risk costs, while expenses increased.

Underlying income rose by EUR 1,401 million, or 58.3%, to EUR 3,804 million in the first half of 2017, due to the aforementioned positive swing in fair changes on derivatives related to asset-liability-management. Excluding this item, underlying income rose by EUR 347 million, or 12.5%, to EUR 3,134 million in the first half of 2017, supported by a EUR 97 million one-time gain on the sale of an equity stake in the real estate run-off portfolio and EUR 31 million less negative CVA/DVA impacts (EUR 3 million in the first half of 2017 versus EUR 34 million in the same period last year). Also excluding CVA/DVA impacts and the one-time gain, total underlying income was 7.8% higher, mainly due to higher revenues in Industry Lending and General Lending & Transaction Services, while income in Financial Markets was resilient.

Net interest income increased by EUR 69 million, or 3.8%, on the first six months of 2016, driven by continued volume growth in Industry Lending and General Lending & Transaction Services, albeit at lower margins. This was partly offset by lower interest results in Financial Markets and Bank Treasury. Net core lending (excluding currency impacts, Bank Treasury and the Lease run-off portfolio) grew by EUR 5.0 billion in the first half of 2017. Net customer deposits (excluding currency impacts and Bank Treasury) declined by EUR 2.5 billion.

Commission income increased by EUR 53 million, or 10.1%, on last year, mainly due to higher fee income in Industry Lending and General Lending & Transaction Services. Investment and other income, excluding the fair changes on derivatives related to asset-liability-management amounted to EUR 661 million, up from EUR 436 million in the first half of 2016. This increase was for the larger part attributable to Financial Markets, which included the less negative CVA/DVA impacts, and the aforementioned gain on the sale of an equity stake in the real estate run-off portfolio.

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Interim report - continued

Operating expenses were EUR 1,373 million, or 8.5% higher than in the first half of 2016. Excluding the impact from regulatory costs (EUR 98 million in the first half of 2017 versus EUR 104 million a year ago), operating expenses increased by EUR 114 million, or 9.8%, on the first half of 2016. A large part of the increase was explained by a provision for a litigation linked to a business that was discontinued in Luxembourg around the year 2000. The remaining costs growth was due to higher headcount to support business growth, wage inflation and IT investments. The underlying cost/income ratio based on IFRS-EU in the first half of 2017 was 43.8%, compared with 45.4% a year ago.

Net addition to loan loss provisions declined to EUR 170 million, or 22 basis points of average risk-weighted assets, from EUR 240 million, or 32 basis points, in the first half of 2016. The decline reflects lower risk costs in General Lending & Transaction Services and Industry Lending, whereas risk costs for the Italian lease run-off portfolio increased.

### **Corporate Line**

The Corporate Line reported an underlying result before tax of EUR 246 million compared with EUR 128 million in the first half of 2016. Total income declined to EUR 93 million from EUR 7 million a year ago, mainly due to the higher cost of net investment hedging and negative results on equity participations, while last year benefitted from the release of the TLTRO hedge reserve. DVA on own-issued debt was EUR 9 million in the first half of 2017 versus EUR 15 million a year ago. Operating expenses increased to EUR 152 million from EUR 135 million in the first half of 2016, due to higher financing charges and share-base payments expenses.

### **ING Group statement of financial position ( balance sheet )**

ING Group's balance sheet increased by EUR 17 billion to EUR 860 billion at 30 June 2017 from EUR 842 billion at the end of 2016.

### **Cash and balances with central banks**

Cash and balances with central banks remained flat at EUR 18 billion.

### **Loans and advances to banks and Deposits from banks**

Loans and advances to banks decreased by EUR 1 billion to EUR 28 billion. Deposits from banks increased by EUR 7 billion to EUR 39 billion due to ING Group's participation in the TLTRO.

### **Financial assets/liabilities at fair value**

Financial assets at fair value through profit or loss increased by EUR 21 billion to EUR 143 billion, due to increased reverse repo activity, partly offset by lower trading derivatives. On the liability side Financial liabilities at fair value through profit or loss increased by EUR 4 billion to EUR 103 billion, also caused by higher repo activity partly offset by lower trading derivatives.

### **Investments**

Investments decreased by EUR 8 billion to EUR 83 billion at the end of June 2017. The decrease mainly concerned debt securities available-for-sale.

### **Loans and advances to customers**

Loans and advances to customers increased by EUR 5 billion to EUR 565 billion. This increase was due to EUR 6 billion higher customer lending, partly offset by EUR 2 billion lower securities at amortised cost. Adjusted for EUR 6 billion of negative currency impacts, customer lending increased by EUR 12 billion. This was mainly caused by EUR 12 billion of net core lending growth and a EUR 4 billion increase in Bank Treasury lending, partly offset by the repayment of subordinated debt by NN Group in the first quarter of 2017, the continued transfer of WUB residential mortgages to NN Group and a decline of the run-off portfolios of WUB and Lease.

### **Debt securities in issue**

The decrease of EUR 4 billion to EUR 99 billion in Debt securities in issue was mainly caused by a EUR 5 billion decrease of long-term debt as maturities and redemptions outpaced new issuance of RMBS, senior debt and Tier 2 instruments. This was slightly offset by EUR 1 billion higher CD/CPs.

### **Customer deposits**

Customer deposits increased by EUR 10 billion to EUR 533 billion. Adjusted for currency impacts and Bank Treasury, net customer deposits grew by EUR 12 billion in the first half of 2017, due to higher customer deposits at Retail Banking.

### **Shareholders equity**

Shareholders equity increased by EUR 0.4 billion to EUR 47.6 billion. The EUR 3.0 billion net result for the first half of 2017 was largely offset by the EUR 1.6 billion payment of the final dividend for the year 2016, and declines in the following reserves: currency translation reserve EUR - 0.5 billion due to appreciation of the euro; decline in cash flow hedge reserve EUR -0.4 billion; and the available-for-sale reserve EUR -0.2 billion.

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Condensed consolidated statement of  
financial position

| as at   | <b>30 June</b> | 31 December    |
|---|----------------|----------------|
| in EUR million  | <b>2017</b>    | 2016           |
| <b>Assets</b>   |                |                |
| Cash and balances with central banks                                | 17,894         | 18,144         |
| Loans and advances to banks   | 27,987         | 28,858         |
| Financial assets at fair value through profit or loss <b>2</b>      | 143,143        | 122,093        |
| Investments <b>3</b>  | 83,441         | 91,663         |
| Loans and advances to customers <b>4</b>                            | 565,421        | 560,154        |
| Investments in associates and joint ventures                        | 1,066          | 1,141          |
| Property and equipment  | 1,938          | 2,002          |
| Intangible assets <b>5</b>  | 1,491          | 1,484          |
| Current tax assets  | 350            | 314            |
| Deferred tax assets   | 1,291          | 1,641          |
| Other assets <b>6</b>   | 15,624         | 14,722         |
| <b>Total assets</b>   | <b>859,646</b> | <b>842,216</b> |
| <b>Liabilities</b>  |                |                |
| Deposits from banks   | 39,248         | 31,964         |
| Customer deposits   | 533,196        | 522,908        |
| Financial liabilities at fair value through profit or loss <b>7</b> | 103,202        | 98,974         |
| Current tax liabilities   | 571            | 546            |
| Deferred tax liabilities  | 360            | 624            |
| Provisions  | 1,873          | 2,028          |
| Other liabilities <b>8</b>  | 17,598         | 16,852         |
| Debt securities in issue <b>9</b>                                   | 98,968         | 103,234        |
| Subordinated loans <b>9</b>   | 16,340         | 17,223         |
| <b>Total liabilities</b>  | <b>811,356</b> | <b>794,353</b> |
| <b>Equity <b>10</b></b>   |                |                |
| Share capital and share premium                                     | 17,043         | 16,989         |
| Other reserves  | 4,963          | 5,897          |
| Retained earnings   | 25,610         | 24,371         |
| <b>Shareholders' equity (parent)</b>                                | <b>47,616</b>  | <b>47,257</b>  |
| Non-controlling interests   | 674            | 606            |

|                              |                |                |
|------------------------------|----------------|----------------|
| Total equity                 | <b>48,290</b>  | <b>47,863</b>  |
| Total equity and liabilities | <b>859,646</b> | <b>842,216</b> |

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

Reference is made to Note 1 Accounting policies for information on Changes in accounting principles, estimates and presentation of the Condensed consolidated interim accounts and related notes.

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Condensed consolidated statement of  
profit or loss

| 6 month period<br>in EUR million                       | 1 January to<br>30 June |              |
|--|-------------------------|--------------|
|  | 2017                    | 2016         |
| <b>Continuing operations</b>                           |                         |              |
| Interest income <b>11</b>                              | 22,086                  | 22,247       |
| Interest expense <b>11</b>                             | 15,375                  | 15,732       |
| Net interest income                                    | <b>6,711</b>            | <b>6,515</b> |
| Net commission income                                  | 1,395                   | 1,217        |
| Valuation results and net trading income <b>12</b>     | 1,090                   | 33           |
| Investment income <b>13</b>                            | 90                      | 242          |
| Other income <sup>1</sup> <b>14</b>                    | 248                     | 173          |
| <b>Total income</b>                                    | <b>9,534</b>            | <b>8,114</b> |
| Addition to loan loss provisions <b>4</b>              | 362                     | 571          |
| Staff expenses <b>15</b>                               | 2,580                   | 2,525        |
| Other operating expenses <b>16</b>                     | 2,342                   | 2,360        |
| <b>Total expenses</b>                                  | <b>5,284</b>            | <b>5,456</b> |
| Result before tax from continuing operations           | <b>4,250</b>            | <b>2,658</b> |
| Taxation   | 1,226                   | 757          |
| Net result from continuing operations                  | <b>3,024</b>            | <b>1,901</b> |
| <b>Discontinued operations 17</b>                      |                         |              |
| Net result from discontinued operations                |                         | 442          |
| <b>Total net result from discontinued operations</b>   |                         | <b>442</b>   |
| Net result (before non-controlling interests)          | <b>3,024</b>            | <b>2,343</b> |
| Net result attributable to Non-controlling interests   | 44                      | 39           |
| Net result attributable to Equityholders of the parent | <b>2,980</b>            | <b>2,304</b> |



- 1 Other income includes Result on disposal of group companies, Result from associates and joint ventures, Net operating lease income, Income from investment property development projects, and Other.

| 6 month period<br>in EUR million                              | 1 January to 30 June |              |
|---|----------------------|--------------|
|   | 2017                 | 2016         |
| <b>Net result attributable to Non-controlling interests</b>   |                      |              |
| from continuing operations                                    | 44                   | 39           |
|   | <b>44</b>            | <b>39</b>    |
| <b>Net result attributable to Equityholders of the parent</b> |                      |              |
| from continuing operations                                    | 2,980                | 1,862        |
| from discontinued operations                                  |                      | 442          |
|   | <b>2,980</b>         | <b>2,304</b> |

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

Reference is made to Note 1 Accounting policies for information on Changes in accounting principles, estimates and presentation of the Condensed consolidated interim accounts and related notes.

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Condensed consolidated statement of profit or loss - continued

| 6 month period<br>in EUR   | <b>1 January to 30 June</b> |             |
|--|-----------------------------|-------------|
|  | <b>2017</b>                 | <b>2016</b> |
| <b>Earnings per ordinary share 18</b>                            |                             |             |
| Basic earnings per ordinary share                                | 0.77                        | 0.60        |
| Diluted earnings per ordinary share                              | 0.77                        | 0.60        |
| <b>Earnings per ordinary share from continuing operations 18</b> |                             |             |
| Basic earnings per ordinary share from continuing operations     | 0.77                        | 0.48        |
| Diluted earnings per ordinary share from continuing operations   | 0.77                        | 0.48        |
| <b>Dividend per ordinary share 19</b>                            | <b>0.24</b>                 | <b>0.24</b> |

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

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Condensed consolidated statement of comprehensive

income

| 6 month period<br>in EUR million  | <b>1 January to 30 June</b> |              |
|---|-----------------------------|--------------|
|   | <b>2017</b>                 | <b>2016</b>  |
| <b>Net result (before non-controlling interests)</b>                            | <b>3,024</b>                | <b>2,343</b> |
| <b>Other comprehensive income</b>   |                             |              |
| Items that will not be reclassified to the statement of profit or loss:         |                             |              |
| Unrealised revaluations property in own use                                     | 5                           | 8            |
| Remeasurement of the net defined benefit asset/liability                        | 10                          | 59           |
| Items that may subsequently be reclassified to the statement of profit or loss: |                             |              |
| Unrealised revaluations available-for-sale investments and other revaluations   | 103                         | 110          |
| Realised gains/losses transferred to the statement of profit or loss            | 71                          | 45           |
| Changes in cash flow hedge reserve  | 397                         | 632          |
| Exchange rate differences and other   | 436                         | 191          |
| Share of other comprehensive income of associates and joint ventures            | 3                           | 21           |
| <b>Total comprehensive income</b>   | <b>2,025</b>                | <b>2,557</b> |
| <b>Comprehensive income attributable to:</b>                                    |                             |              |
| Non-controlling interests   | 68                          | 12           |
| Equityholders of the parent   | 1,957                       | 2,545        |
|   | <b>2,025</b>                | <b>2,557</b> |

Reference is made to Note 1 Accounting policies for information on Changes in accounting principles, estimates and presentation of the Condensed consolidated interim accounts and related notes.

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## Condensed consolidated statement of changes in equity

| in EUR million  | Share capital<br>and share<br>premium | Other<br>reserves | Retained<br>earnings | Share-<br>holders<br>equity<br>(parent) | Non-<br>controlling<br>interests | Total equity  |
|---|---------------------------------------|-------------------|----------------------|---|----------------------------------|---------------|
| Balance as at 1 January 2017  | 16,989                                | 5,897             | 24,371               | 47,257                                  | 606                              | 47,863        |
| Unrealised revaluations available-for-sale<br>investments and other revaluations            |                                       | 108               |                      | 108                                     | 5                                | 103           |
| Realised gains/losses transferred to the<br>statement of profit or loss                     |                                       | 69                |                      | 69                                      | 2                                | 71            |
| Changes in cash flow hedge reserve  |                                       | 395               |                      | 395                                     | 2                                | 397           |
| Unrealised revaluations property in own use   |                                       | 5                 |                      | 5                                       |                                  | 5             |
| Remeasurement of the net defined benefit<br>asset/liability                                 |                                       | 10                |                      | 10                                      |                                  | 10            |
| Exchange rate differences and other   |                                       | 459               |                      | 459                                     | 23                               | 436           |
| Share of other comprehensive income of<br>associates and joint ventures and other<br>income |                                       | 94                | 91                   | 3                                       |                                  | 3             |
| <b>Total amount recognised directly in other<br/>comprehensive income</b>                   |                                       | <b>932</b>        | <b>91</b>            | <b>1,023</b>                            | <b>24</b>                        | <b>999</b>    |
| Net result from continuing and discontinued<br>operations                                   |                                       |                   | 2,980                | 2,980                                   | 44                               | 3,024         |
| <b>Total comprehensive income</b>   |                                       | <b>932</b>        | <b>2,889</b>         | <b>1,957</b>                            | <b>68</b>                        | <b>2,025</b>  |
| Dividends   |                                       |                   | 1,632                | 1,632                                   |                                  | 1,632         |
| Changes in treasury shares  |                                       | 2                 |                      | 2                                       |                                  | 2             |
| Employee stock option and share plans   | 54                                    |                   | 18                   | 36                                      |                                  | 36            |
| <b>Balance as at 30 June 2017</b>   | <b>17,043</b>                         | <b>4,963</b>      | <b>25,610</b>        | <b>47,616</b>                           | <b>674</b>                       | <b>48,290</b> |

Changes in individual Reserve components are presented in Note 10 Equity .

| in EUR million               | Share capital<br>and share<br>premium | Other<br>reserves | Retained<br>earnings | Share-<br>holders<br>equity<br>(parent) | Non-<br>controlling<br>interests | Total equity |
|------------------------------|---------------------------------------|-------------------|----------------------|---|----------------------------------|--------------|
| Balance as at 1 January 2016 | 16,982                                | 5,759             | 22,231               | 44,972                                  | 638                              | 45,610       |

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|   |               |              |               |               |               |
|---|---------------|--------------|---------------|---------------|---------------|
| Unrealised revaluations available-for-sale investments and other revaluations         | 98            |              | 98            | 12            | 110           |
| Realised gains/losses transferred to the statement of profit or loss                  | 45            |              | 45            |               | 45            |
| Changes in cash flow hedge reserve  | 621           |              | 621           | 11            | 632           |
| Unrealised revaluations property in own use   | 8             |              | 8             |               | 8             |
| Remeasurement of the net defined benefit asset/liability                              | 59            |              | 59            |               | 59            |
| Exchange rate differences   | 165           |              | 165           | 26            | 191           |
| Share of other comprehensive income of associates and joint ventures and other income | 21            |              | 21            |               | 21            |
| <b>Total amount recognised directly in other comprehensive income</b>                 | <b>241</b>    |              | <b>241</b>    | <b>27</b>     | <b>214</b>    |
| Net result from continuing and discontinued operations                                |               | 2,304        | 2,304         | 39            | 2,343         |
| <b>Total comprehensive income</b>   | <b>241</b>    | <b>2,304</b> | <b>2,545</b>  | <b>12</b>     | <b>2,557</b>  |
| Dividends   |               | 1,590        | 1,590         | 31            | 1,621         |
| Changes in treasury shares  | 7             |              | 7             |               | 7             |
| Employee stock option and share plans   | 4             | 40           | 44            |               | 44            |
| <b>Balance as at 30 June 2016</b>   | <b>16,986</b> | <b>6,007</b> | <b>22,985</b> | <b>45,978</b> | <b>619</b>    |
|   |               |              |               |               | <b>46,597</b> |

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Condensed consolidated statement of cash flows

| 6 month period<br>in EUR million                                  |  | 1 January to 30 June |              |
|---|--|----------------------|--------------|
|   |  | 2017                 | 2016         |
| <b>Cash flows from operating activities</b>                       |  |                      |              |
| <b>Result before tax<sup>1</sup></b>                              |  | 4,250                | 3,098        |
| Adjusted for:   | depreciation   | 260                  | 260          |
|   | addition to loan loss provisions                                 | 362                  | 571          |
|   | other  | 188                  | 1,248        |
| Taxation paid   |  | 885                  | 914          |
| Changes in:   | loans and advances to banks, not available on demand             | 971                  | 102          |
|   | trading assets   | 19,642               | 15,649       |
|   | non-trading derivatives  | 2,236                | 175          |
|   | other financial assets at fair value through profit or loss      | 114                  | 2,312        |
|   | loans and advances to customers                                  | 9,555                | 20,186       |
|   | other assets   | 184                  | 4,949        |
|   | deposits from banks, not payable on demand                       | 7,257                | 2,050        |
|   | customer deposits  | 9,864                | 13,454       |
|   | trading liabilities  | 5,507                | 25,356       |
|   | other financial liabilities at fair value through profit or loss | 368                  | 35           |
|   | provisions and other liabilities                                 | 947                  | 2,230        |
| <b>Net cash flow from/(used in) operating activities</b>          |  | <b>7,214</b>         | <b>4,499</b> |
| <b>Cash flows from investing activities</b>                       |  |                      |              |
| Investments and advances:   | available-for-sale investments                                   | 14,936               | 15,470       |
|   | other investments  | 2,720                | 588          |
| Disposals and redemptions:  | associates and joint ventures <sup>2</sup>                       | 197                  | 1,066        |
|   | available-for-sale investments <sup>3</sup>                      | 22,654               | 16,508       |
|   | loans  | 525                  | 711          |
|   | other investments  | 751                  | 227          |
| <b>Net cash flow from/(used in) investing activities</b>          |  | <b>6,471</b>         | <b>2,454</b> |
| <b>Cash flows from financing activities</b>                       |  |                      |              |
| Proceeds from debt securities and subordinated loans              |  | 52,325               | 69,024       |
| Repayments of debt securities and subordinated loans <sup>4</sup> |  | 52,178               | 69,323       |
| Changes in treasury shares  |  | 2                    | 5            |
| Dividends paid <sup>19</sup>                                      |  | 1,632                | 1,590        |
| <b>Net cash flow from/(used in) financing activities</b>          |  | <b>1,487</b>         | <b>1,884</b> |
| <b>Net cash flow</b>  |  | <b>2,230</b>         | <b>5,069</b> |

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Condensed consolidated statement of cash flows - continued

| 6 month period<br>in EUR million                                | 1 January to 30 June |               |
|---|----------------------|---------------|
|   | 2017                 | 2016          |
| <b>Net cash flow</b>  | <b>2,230</b>         | <b>5,069</b>  |
| <b>Cash and cash equivalents at beginning of period</b>         | 16,164               | 20,379        |
| Effect of exchange rate changes on cash and cash equivalents    | 148                  | 570           |
| <b>Cash and cash equivalents at end of period</b>               | <b>14,082</b>        | <b>24,878</b> |
| <b>Cash and cash equivalents comprises the following items:</b> |                      |               |
| Treasury bills and other eligible bills                         | 309                  | 845           |
| Deposits from banks/Loans and advances to banks                 | 4,121                | 2,088         |
| Cash and balances with central banks                            | 17,894               | 26,121        |
| <b>Cash and cash equivalents at end of the period</b>           | <b>14,082</b>        | <b>24,878</b> |

- 1 Result before tax includes results from continuing operations of EUR 4,250 million (first six months of 2016: EUR 2,658 million) as well as results from discontinued operations of nil (first six months of 2016: EUR 440 million).
- 2 Disposal and redemptions associates and joint ventures, in the first six months of 2016 includes EUR 1,016 million proceeds on the further sale of NN Group shares in January 2016 resulting in a loss of significant influence over NN Group.
- 3 Disposal and redemptions available-for-sale investments, in the first six months of 2016, includes EUR 1,375 million proceeds on the divestment of the remaining shareholding in NN Group in April 2016.
- 4 Included in Repayments of debt securities and subordinated loans is a cash outflow of EUR 128 million related to the third and final tranche of mandatory exchangeable subordinated notes from the Anchor investors into NN Group ordinary shares in February 2016.

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

| 6 month period<br>in EUR million | 1 January to 30 June |              |
|----------------------------------|----------------------|--------------|
|                                  | 2017                 | 2016         |
| Interest received                | 22,462               | 22,427       |
| Interest paid                    | 16,140               | 16,426       |
|                                  | <b>6,322</b>         | <b>6,001</b> |
| Dividend received                | 41                   | 34           |
| Dividend paid                    | 1,632                | 1,590        |



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Interest received, interest paid and dividends received are included in operating activities in the cash flow statement. Dividend paid is included in financing activities in the cash flow statement.

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Notes to the accounting policies

### **Notes to the Condensed consolidated interim accounts**

**amounts in millions of euros, unless stated otherwise**

#### **Notes to the accounting policies**

#### **Reporting entity**

ING Groep N.V. is a company domiciled in Amsterdam, the Netherlands. Commercial Register of Amsterdam, number 33231073. These Condensed consolidated interim accounts, as at and for the six months ended 30 June 2017, comprise ING Groep N.V. and its subsidiaries, together referred to as ING Group. ING Group is a global financial institution with a strong European base, offering a wide range of retail and wholesale banking services to customers in over 40 countries.

#### **Basis of preparation of the Consolidated interim accounts**

The Condensed consolidated interim accounts have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting .

The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as issued by the International Accounting Standard Board (IFRS-IASB) and are consistent with those set out in the notes to the 2016 Consolidated annual accounts as included in the Annual Report on Form 20-F of ING Group (ING Form 20-F).

These condensed consolidated interim accounts should be read in conjunction with ING Group's 2016 Consolidated annual accounts as included in the Form 20-F, including the Legal proceeding note (Note 45).

International Financial Reporting Standards as issued by the IASB provide several options in accounting principles. ING Group's accounting principles under International Financial Reporting Standards as issued by the IASB and its decision on the options available are set out in the section Principles of valuation and determination of results in the 2016 ING Form 20-F.

IFRS-EU refers 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 2016 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 recognised 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 recognised 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 cannot 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.

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 possibility that had ING Group applied IFRS-IASB as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different equity and net result amounts compared to those indicated in these Condensed interim accounts. A reconciliation between IFRS-IASB and IFRS-EU is included below.

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

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Notes to the accounting policies - continued

Reconciliation shareholders' equity and net result under IFRS-EU and IFRS-IASB:

| Amounts in millions of euros          | Shareholders' equity |                  | Net result first half of |              |
|---------------------------------------|----------------------|------------------|--------------------------|--------------|
|                                       | 30 June 2017         | 31 December 2016 | 2017                     | 2016         |
| In accordance with IFRS-EU            | 49,685               | 49,793           | 2,514                    | 2,552        |
| Adjustment of the EU IAS 39 carve-out | 2,801                | 3,472            | 670                      | 384          |
| Tax effect of the adjustment          | 732                  | 936              | 204                      | 136          |
| Effect of adjustment after tax        | 2,069                | 2,536            | 466                      | 248          |
| In accordance with IFRS-IASB          | <b>47,616</b>        | <b>47,257</b>    | <b>2,980</b>             | <b>2,304</b> |

The difference in net result is fully reflected in the segment Wholesale Banking.

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

**1 Accounting policies*****Changes in IFRS effective in 2017***

In 2017, the following amendments became effective:

Amendments to IAS 12 – Income Taxes : Recognition of Deferred Tax Assets for Unrealised losses;

Amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative ; and

Annual improvement cycle 2014 – 2016: IFRS 12, Disclosure of interest in other entities  
 ING Group will apply these amendments for annual periods beginning on or after 1 January 2017. The implementation of these amendments will have no significant impact on ING Group's results or financial position. ING Group has not early adopted any other standard, interpretation or amendment which has been issued, but is not yet effective.

***Changes in accounting policies, estimates, and presentation of the Condensed consolidated interim accounts and related notes***

There were no significant changes in accounting policies, or estimates in the Condensed consolidated interim accounts for the period ended 30 June 2017.

The presentation has been modified from the 30 June 2016 published Condensed consolidated interim accounts to align more closely with 2016 ING Group Form 20-F. For a list of changes made see 2016 ING Group Form 20-F, Note 1 Changes in presentation of the Consolidated annual accounts and related notes .

### **Upcoming changes in IFRS**

The most significant upcoming changes to IFRS, comprise IFRS 9 Financial instruments , IFRS 15 Revenue from contracts with customers and IFRS 16 Leases .

#### ***IFRS 9 Financial Instruments***

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and endorsed by the EU in November 2016. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. The new requirements become effective as of 1 January 2018.

#### ***IFRS 9 program governance and status***

In 2017 the IFRS 9 program is focussing on implementing the methodologies and approaches that have been developed thus far. A first parallel run was conducted whereby a limited scope of ING Group entities reported IFRS 9 figures internally. In addition to gain a better understanding of IFRS 9 figures, the parallel runs test the processes and the ability of ING Group entities to report the required IFRS 7 disclosures. Two further parallel runs are planned for 2017 to ensure IFRS 9 readiness on 1 January 2018.

Overall progress on implementing the standard continues as expected, with model development and validation and technical accounting issues being finalised according to the execution roadmap.

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Notes to the accounting policies - continued

### **Classification and Measurement**

The classification and measurement of financial assets will depend on how these are managed (the business model test) and their contractual cash flow characteristics (the SPPI test). The business model documentation and SPPI testing across all ING Group entities is approaching finalisation, with the formal governance for embedding new organisational processes into everyday business taking shape. The governance will be put into place before 1 January 2018 to ensure continued compliance with IFRS 9 following transition.

#### *Impact*

ING is currently finalising the impact of IFRS 9 on the classification and measurement of its financial assets. As a result of the business model analysis, a few portfolios are identified for which measurement will change. Of particular note is the investment portfolio, which will be split into a portfolio classified at amortised cost and a FVOCI portfolio. ING has not yet determined what part will be classified as amortised cost. This change will have an impact on equity and regulatory capital at transition, but will reduce capital volatility in the future.

### **Impairment**

Previous decisions regarding key concepts such as the measurement of expected credit losses (ECL) remain as described in the 2016 ING Group Form 20-F. The implementation of these concepts into central credit risk systems and the development and testing of impairment models is ongoing, with the models for the Group's most material portfolios developed. In 2017, the methodological framework for multiple macroeconomic scenarios in the ECL calculation was set up. During the second part of 2017, ING will focus on implementing the macro economic scenarios into the models and finalising the validation.

#### *Impact*

ING expects that the increase in provisions at transition might lead to a negative effect on equity and may be partly offset by the release of expected loss elements currently included in the calculation of regulatory capital (i.e. the regulatory shortfall). Based on the IFRS 9 ECL model, a more volatile impairment charge is to be expected following macroeconomic predictions. ING will quantify the potential impact of IFRS 9 not later than in the 2017 ING Group Form 20-F.

### **Hedge Accounting**

The previous decision to continue applying IAS 39 for hedge accounting as explicitly permitted by IFRS 9 remains in place. The revised hedge accounting disclosures as required by IFRS 7 Financial Instruments: Disclosures as per 1 January 2018 are currently being implemented across ING Group and tested during the parallel runs.

Further information about the IFRS 9 program is available on pages F-16 to F-18 of the ING Group Annual Report on Form 20-F 2016.

### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduces a 5-step approach for recognising revenue as and when the agreed performance obligations are satisfied. Agreed performance obligations are individual promises made to the customer that delivers benefit from the customer's perspective. Revenue should either be recognised at a point-in-time or over-time depending on the service being delivered to the customer. The standard may be applied retrospectively, although transitional relief is available.

Commission income is the key revenue stream in scope of IFRS 15 and ING Group is in the process of assessing the possible impact though overall we do not expect it to be significant. Fees related to the effective yield of the loan that are presented in Interest income or bank guarantee fees are not in the scope of IFRS 15.

### ***IFRS 16 Leases***

In January 2016, the IASB issued IFRS 16 Leases the new accounting standard for leases. The new standard is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 Leases and IFRIC 4

Determining whether an Arrangement contains a Lease. The new standard removes for lessee accounting, the distinction between operating or finance leases, resulting in all leases being treated as finance leases. All leases will be recognised on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. Furthermore the standard provides some practical options and exemptions to ease the costs of transition. Lessor accounting remains substantially unchanged. ING Group will adopt the standard at its effective date and is currently assessing the impact of this standard

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Notes to the Condensed consolidated statement of financial position

**Notes to the Condensed consolidated statement of financial position****2 Financial assets at fair value through profit or loss**

| <b>Financial assets at fair value through profit or loss</b> | <b>30 June<br/>2017</b> | <b>31 December<br/>2016</b> |
|--|-------------------------|-----------------------------|
| Trading assets   | 135,246                 | 114,504                     |
| Non-trading derivatives                                      | 2,926                   | 2,490                       |
| Designated as at fair value through profit or loss           | 4,971                   | 5,099                       |
|  | <b>143,143</b>          | <b>122,093</b>              |

The increase in Trading assets in the first six months of 2017, is mainly attributable to an increase of EUR 26.8 billion trading loans and receivables, and EUR 2.3 billion in Trading equity securities. These were offset by a decrease of EUR 7.7 billion in trading derivatives mainly due to mark to market changes and expiring contracts.

Trading assets and trading liabilities include assets and liabilities that are classified under IFRS as Trading but are closely related to servicing the needs of the clients of ING Group. ING offers institutional and corporate clients and governments products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING provides its customers access to equity and debt markets for issuing their own equity or debt securities ( securities underwriting ). Although these are presented as Trading under IFRS, these are directly related to services to ING s customers. Loans and receivables in the trading portfolio mainly relate to (reverse) repurchase agreements, which are comparable to collateralised lending. These products are used by ING as part of its own regular treasury activities, but also relate to the role that ING plays as intermediary between different professional customers. Trading assets and liabilities held for ING s own risk are very limited. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the statement of financial position. However, IFRS does not allow netting of these positions in the statement of financial position. Reference is made to Note 7 Financial liabilities at fair value through profit or loss for information on trading liabilities.

As at 30 June 2017, Non-trading derivatives include EUR 89 million (31 December 2016: EUR 175 million ) and EUR 14 million (31 December 2016: EUR 19 million) related to warrants on the shares of Voya Financial Inc. (Voya) and NN Group N.V. (NN Group) respectively.

**3 Investments****Investments by type**



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|   | <b>30 June<br/>2017</b> | 31 December<br>2016 |
|---|-------------------------|---------------------|
| <b>Available-for-sale</b>   |                         |                     |
| equity securities - shares in third party managed structured entities | 161                     | 170                 |
| equity securities - other   | 3,775                   | 3,854               |
|   | <b>3,936</b>            | <b>4,024</b>        |
| debt securities   | 69,199                  | 78,888              |
|   | <b>73,135</b>           | <b>82,912</b>       |
| <b>Held-to-maturity</b>   |                         |                     |
| debt securities   | 10,306                  | 8,751               |
|   | <b>10,306</b>           | <b>8,751</b>        |
|   | <b>83,441</b>           | <b>91,663</b>       |

Available-for-sale debt securities decreased by EUR 9.7 billion and is mainly related to lower positions in Government bonds, Sub-sovereign Supranationals and Agencies, and covered bonds.

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Notes to the Condensed consolidated statement of financial position - continued

**Exposure to debt securities**

ING Group's exposure to debt securities is included in the following lines:

| <b>Debt securities</b>   | <b>30 June<br/>2017</b> | <b>31 December<br/>2016</b> |
|--|-------------------------|-----------------------------|
| Available-for-sale investments                                     | 69,199                  | 78,888                      |
| Held-to-maturity investments                                       | 10,306                  | 8,751                       |
| Loans and advances to customers                                    | 5,835                   | 7,471                       |
| Loans and advances to banks  | 203                     | 952                         |
| <b>Available-for-sale investments and Assets at amortised cost</b> | <b>85,543</b>           | <b>96,062</b>               |
| Trading assets   | 9,162                   | 9,863                       |
| Designated at fair value through profit or loss                    | 1,436                   | 1,669                       |
| <b>Financial assets at fair value through profit or loss</b>       | <b>10,598</b>           | <b>11,532</b>               |
|  | <b>96,141</b>           | <b>107,594</b>              |

ING Group's total exposure to debt securities included in available-for-sale investments and assets at amortised cost of EUR 85,543 million (31 December 2016: EUR 96,062 million) is specified as follows by type of exposure:

**Debt securities by type and lines per the statement of financial position - Available-for-sale investments and Assets at amortised cost**

|  | Available-for-sale<br>investments |                             | Held-to-maturity<br>investments |                             | Loans and advances<br>to customers |                             | Loans and advances<br>to banks |                             | Total                   |                             |
|--|-----------------------------------|-----------------------------|---------------------------------|-----------------------------|------------------------------------|-----------------------------|--------------------------------|-----------------------------|-------------------------|-----------------------------|
|  | <b>30<br/>June<br/>2017</b>       | <b>31 December<br/>2016</b> | <b>30 June<br/>2017</b>         | <b>31 December<br/>2016</b> | <b>30 June<br/>2017</b>            | <b>31 December<br/>2016</b> | <b>30 June<br/>2017</b>        | <b>31 December<br/>2016</b> | <b>30 June<br/>2017</b> | <b>31 December<br/>2016</b> |
| Government bonds                                 | 36,491                            | 41,985                      | 8,328                           | 6,688                       | 835                                | 858                         |                                |                             | 45,654                  | 49,531                      |
| Sub-sovereign,<br>Supranationals and<br>Agencies | 18,195                            | 20,484                      | 1,662                           | 1,613                       | 275                                | 267                         |                                |                             | 20,132                  | 22,364                      |
| Covered bonds                                    | 9,221                             | 11,297                      | 100                             | 100                         | 416                                | 1,820                       | 154                            | 882                         | 9,891                   | 14,099                      |
| Corporate bonds                                  | 1,317                             | 1,345                       |                                 |                             | 879                                | 791                         |                                |                             | 2,196                   | 2,136                       |
| Financial institutions<br>bonds                  | 2,003                             | 2,020                       |                                 |                             | 352                                | 351                         | 45                             | 70                          | 2,400                   | 2,441                       |
| ABS portfolio                                    | 1,972                             | 1,757                       | 216                             | 350                         | 3,078                              | 3,384                       | 4                              |                             | 5,270                   | 5,491                       |

|                |               |               |               |              |              |              |            |            |               |               |
|----------------|---------------|---------------|---------------|--------------|--------------|--------------|------------|------------|---------------|---------------|
| Bond portfolio | <b>69,199</b> | <b>78,888</b> | <b>10,306</b> | <b>8,751</b> | <b>5,835</b> | <b>7,471</b> | <b>203</b> | <b>952</b> | <b>85,543</b> | <b>96,062</b> |
|----------------|---------------|---------------|---------------|--------------|--------------|--------------|------------|------------|---------------|---------------|

Sub-sovereign Supranationals and Agencies ( SSA ) comprise among others, multilateral development banks, regional governments, local authorities and US agencies. Under certain conditions, SSA bonds may qualify as Level 1 High Quality Liquid Assets for LCR.

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Notes to the Condensed consolidated statement of financial position - continued

**4 Loans and advances to customers****Loans and advances to customers by type**

|  | <b>30 June<br/>2017</b> | 31 December<br>2016 |
|--|-------------------------|---------------------|
| Loans to, or guaranteed by, public authorities | 46,581                  | 46,380              |
| Loans secured by mortgages                     | 317,094                 | 315,124             |
| Loans guaranteed by credit institutions        | 1,572                   | 1,145               |
| Personal lending                               | 24,123                  | 23,098              |
| Asset backed securities                        | 3,078                   | 3,380               |
| Corporate loans                                | 178,007                 | 176,205             |
|  | <b>570,455</b>          | <b>565,332</b>      |
| Loan loss provisions                           | 5,034                   | 5,178               |
|  | <b>565,421</b>          | <b>560,154</b>      |

**Changes in loan loss provisions**

|   | <b>6 month<br/>period ended<br/>30 June<br/>2017</b> | year<br>ended<br>31 December<br>2016 |
|---|--|--------------------------------------|
| Opening balance   | 5,308  | 5,786                                |
| Write-offs  | 476  | 1,494                                |
| Recoveries  | 32   | 94                                   |
| Increase in loan loss provisions                          | 362  | 974                                  |
| Exchange rate differences                                 | 56   | 55                                   |
| Changes in the composition of the group and other changes | 11   | 3                                    |
| Closing balance   | <b>5,159</b>   | <b>5,308</b>                         |

The loan loss provision, as at 30 June 2017, of EUR 5,159 million (31 December 2016: EUR 5,308 million) is presented in the statement of financial position under Loans and advances to customers, Loans and advances to banks, and Other provisions other for EUR 5,034 million (31 December 2016: EUR 5,178 million), EUR 13 million (31 December 2016: EUR 11 million) and EUR 112 million (31 December 2016: EUR 119 million) respectively.

The increase in loan loss provisions is presented as Addition to loan loss provisions in the Condensed consolidated statement of profit or loss.

**5 Intangible assets**

| <b>Intangible assets</b> | <b>30 June<br/>2017</b> | <b>31 December<br/>2016</b> |
|--------------------------|-------------------------|-----------------------------|
| Goodwill                 | 868                     | 903                         |
| Software                 | 615                     | 571                         |
| Other                    | 8                       | 10                          |
|                          | <b>1,491</b>            | <b>1,484</b>                |

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Notes to the Condensed consolidated statement of financial position - continued

**Goodwill**

Goodwill is allocated to groups of CGUs as follows:

**Goodwill allocation to group of CGUs**

| <b>Group of CGU s</b>              | <b>30 June<br/>2017</b> | <b>31 December<br/>2016</b> |
|------------------------------------|-------------------------|-----------------------------|
| Retail Belgium                     | 50                      | 50                          |
| Retail Germany                     | 349                     | 349                         |
| Retail Growth Markets <sup>1</sup> | 347                     | 375                         |
| Wholesale Banking <sup>1</sup>     | 122                     | 129                         |
|                                    | <b>868</b>              | <b>903</b>                  |

1 Goodwill related to Growth Countries is allocated across two groups of CGUs EUR 347 million (31 December 2016: EUR 375 million) to Retail Growth Markets and EUR 102 million (31 December 2016: EUR 109 million) to Wholesale Banking.

No goodwill impairment was recognised in the first six months of 2017 (first six months of 2016: nil). Changes in the goodwill per reporting unit in the first six months of 2017 are due to changes in currency exchange rates.

**Goodwill impairment testing**

Goodwill impairment testing is done annually in the fourth quarter of the year unless there is a triggering event earlier.

**6 Other assets****Other assets by type**

|   | <b>30 June<br/>2017</b> | <b>31 December<br/>2016</b> |
|---|-------------------------|-----------------------------|
| Net defined benefit assets                          | 567                     | 609                         |
| Investment properties                               | 65                      | 65                          |
| Property development and obtained from foreclosures | 157                     | 184                         |
| Accrued interest and rents                          | 4,897                   | 5,588                       |
| Other accrued assets                                | 843                     | 884                         |
| Amounts to be settled                               | 6,656                   | 4,815                       |
| Other   | 2,439                   | 2,577                       |
|   | <b>15,624</b>           | <b>14,722</b>               |

Amounts to be settled are primarily transactions not settled at the balance sheet date. They are short term and volatile in nature and are expected to settle shortly after the balance sheet date.

Other assets Other relates mainly to other receivables in the normal course of business.

## 7 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

| <b>Other assets by type</b>                     | <b>30 June<br/>2017</b> | 31 December<br>2016 |
|---|-------------------------|---------------------|
| Trading liabilities                             | 88,677                  | 83,167              |
| Non-trading derivatives                         | 2,939                   | 3,541               |
| Designated at fair value through profit or loss | 11,586                  | 12,266              |
|   | <b>103,202</b>          | <b>98,974</b>       |

The increase in Trading liabilities in the first six months of 2017, is mainly as a result of an increase in funds on deposit of EUR 15.8 billion, and by a decrease in trading derivatives of EUR 9.8 billion driven by changes in mark to market value and expiring contracts.

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Notes to the Condensed consolidated statement of financial position - continued

The change in the fair value of financial liabilities designated at fair value through profit or loss that is attributable to changes in credit risk is EUR 27 million in the first six months of 2017 (first six months of 2016: EUR 15 million) and EUR 197 million (31 December 2016: EUR 170 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. mainly interest rate risk based on yield curves). Reference is made to Note 2 Financial assets at fair value through profit or loss .

**8 Other liabilities****Other liabilities by type**

|  | <b>30 June<br/>2017</b> | 31 December<br>2016 |
|--|-------------------------|---------------------|
| Net defined benefit liability                    | 485                     | 521                 |
| Other post-employment benefits                   | 91                      | 87                  |
| Other staff-related liabilities                  | 403                     | 498                 |
| Other taxation and social security contributions | 357                     | 495                 |
| Accrued interest                                 | 3,394                   | 4,394               |
| Costs payable                                    | 2,141                   | 2,242               |
| Share-based payment plan liabilities             | 22                      | 26                  |
| Amounts to be settled                            | 8,168                   | 6,391               |
| Other  | 2,537                   | 2,198               |
|  | <b>17,598</b>           | <b>16,852</b>       |

Other liabilities Other relates mainly to period-end accruals.

**9 Subordinated loans and Debt securities in issue*****Subordinated loans***

Subordinated loans mainly consist of Tier 1 and Tier 2 instruments that may be included in the calculation of ING's capital ratios. Under IFRS these bonds are classified as liabilities and for regulatory purposes they are considered capital.

The decrease in subordinated loans in the first six months of 2017 of EUR 883 million, is partly attributable to the redemption of EUR 1.1 billion 7.2% loan (Tier 1 capital) and exchange rate effects USD offset by the issuance of Tier 2 capital.

***Debt securities in issue***

The decrease in Debt securities in issue of EUR 4.3 billion, in the first six months of 2017, is mainly as a result of a decrease in long term bonds, covered bonds and certificates of deposit of EUR 2.8 billion, EUR 2.4 billion and EUR



1.7 million respectively. These were partly offset by an increase in commercial paper of EUR 2.6 billion.

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Notes to the Condensed consolidated statement of financial position - continued

**10 Equity**

| <b>Total equity</b>   | <b>30 June<br/>2017</b> | 31 December<br>2016 |
|---|-------------------------|---------------------|
| Share capital and share premium                             |                         |                     |
| - Share capital   | 39                      | 39                  |
| - Share premium   | 17,004                  | 16,950              |
|   | <b>17,043</b>           | <b>16,989</b>       |
| Other reserves  |                         |                     |
| - Revaluation reserves: Available-for-sale and other        | 3,653                   | 3,830               |
| - Revaluation reserves: Cash flow hedge                     | 382                     | 777                 |
| - Revaluation reserves: Property in own use                 | 199                     | 204                 |
| - Net defined benefit asset/liability remeasurement reserve | 361                     | 371                 |
| - Currency translation reserve                              | 1,221                   | 770                 |
| - Share of associates, joint ventures and other reserves    | 2,321                   | 2,235               |
| - Treasury shares   | 10                      | 8                   |
|   | <b>4,963</b>            | <b>5,897</b>        |
| Retained earnings   | <b>25,610</b>           | <b>24,371</b>       |
| Shareholders' equity (parent)                               | <b>47,616</b>           | <b>47,257</b>       |
| Non-controlling interests                                   | 674                     | 606                 |
| <b>Total equity</b>   | <b>48,290</b>           | <b>47,863</b>       |

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Notes to the Condensed consolidated statement of profit or loss

**Notes to the Condensed consolidated statement of profit or loss****11 Net interest income**

Total Net interest income of EUR 6,711 million includes interest income and interest expense from trading and non-trading derivatives that are outside of hedge accounting relationships. Interest income from trading derivatives amounts to EUR 8,079 million (first six months of 2016: EUR 8,099 million). Interest income from non-trading derivatives with no IFRS-EU hedge accounting amounts to EUR 226 million (first six months of 2016: EUR 347 million). Interest expense from trading derivatives amounts to EUR 8,180 million (first six months of 2016: EUR 8,215 million). Interest expense from non-trading derivatives with no IFRS-EU hedge accounting amounts to EUR 409 million (first six months of 2016: EUR 275 million).

**12 Valuation results and net trading income**

In the first six months of 2017, Valuation results and net trading income includes DVA adjustments on own issued notes designated at fair value, amounting to EUR 28 million (first six months of 2016: EUR 15 million).

In the first six months of 2017, Valuation results and net trading income includes EUR 62 million related to warrants on the shares of Voya and NN Group (first six months of 2016: EUR 136 million). Reference is made to Note 2 Financial assets at fair value through profit or loss .

In the first six months of 2017, Valuation results and net trading income includes EUR 21 million CVA/DVA adjustments on trading derivatives, compared with EUR 65 million CVA/DVA adjustment in the first six months of 2016.

**13 Investment income**

| Investment income  | 1 January to 30 June |            |
|--|----------------------|------------|
|  | 2017                 | 2016       |
| 6 month period   |                      |            |
| Dividend income  | 18                   | 13         |
| Realised gains/losses on disposal of debt securities             | 57                   | 55         |
| Impairments of available-for-sale debt securities                |                      | 1          |
| Reversal of impairments of available-for-sale debt securities    | 1                    |            |
| Realised gains/losses on disposal of equity securities           | 15                   | 176        |
| Impairments of available-for-sale equity securities              | 3                    | 3          |
| Income from and fair value gains/losses on investment properties | 2                    | 2          |
|  | <b>90</b>            | <b>242</b> |

**14 Other income**

**Other income**

| 6 month period                                     | 1 January to 30 June |            |
|--|----------------------|------------|
|  | 2017                 | 2016       |
| Share of result from associates and joint ventures | 136                  | 61         |
| Result on disposal of group companies              | 1                    | 1          |
| Other  | 111                  | 111        |
|  | <b>248</b>           | <b>173</b> |

***Results from associates and joint ventures***

Results from associates and joint ventures, in the first six months of 2017, mainly comprise the share of results of EUR 34 million from TMB Public Company Limited (TMB) and the result of EUR 97 million from the sale of shares in Appia Group Ltd UK.

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Notes to the Condensed consolidated statement of profit or loss - continued

**15 Staff expenses**

| <b>Staff expenses</b>                               | <b>1 January to 30 June</b> |              |
|---|-----------------------------|--------------|
|   | <b>2017</b>                 | <b>2016</b>  |
| 6 month period                                      |                             |              |
| Salaries  | 1,646                       | 1,606        |
| Pension costs and other staff-related benefit costs | 201                         | 178          |
| Social security costs                               | 250                         | 261          |
| Share-based compensation arrangements               | 32                          | 29           |
| External employees                                  | 329                         | 330          |
| Education   | 36                          | 31           |
| Other staff costs                                   | 86                          | 90           |
|   | <b>2,580</b>                | <b>2,525</b> |

**16 Other operating expenses**

| <b>Other operating expenses</b>   | <b>1 January to 30 June</b> |              |
|---|-----------------------------|--------------|
|   | <b>2017</b>                 | <b>2016</b>  |
| 6 month period  |                             |              |
| Depreciation of property and equipment  | 163                         | 152          |
| IT expenses   | 359                         | 353          |
| Office expenses   | 293                         | 300          |
| Travel and accommodation expenses   | 86                          | 85           |
| Advertising and public relations  | 209                         | 192          |
| External advisory fees  | 160                         | 134          |
| Audit and non-audit services  | 9                           | 8            |
| Postal charges  | 25                          | 29           |
| Regulatory costs  | 543                         | 571          |
| Addition/(unused amounts reversed) of provision for reorganisations and relocations | 5                           | 114          |
| Intangible amortisation and (reversals of) impairments                              | 88                          | 102          |
| Other   | 412                         | 320          |
|   | <b>2,342</b>                | <b>2,360</b> |

Regulatory costs represent contributions to Deposit Guarantee Schemes (DGS), the Single Resolution Fund (SRF) and local bank taxes. In the first six months of 2017 the contributions to DGS were EUR 204 million (first six months of 2016: EUR 259 million) mainly related to the Netherlands, Germany, Belgium, and Poland, and contributions to the SRF of EUR 178 million (first six months of 2016: EUR 178 million). The contribution to the SRF in the first six

months of 2017, comprises ING's contribution for the full year 2017.

**Intangible amortisation and (reversals of) impairments**

| 6 month period                          | Impairment losses                |          | Reversals of impairments         |          | Total                            |            |
|---|----------------------------------|----------|----------------------------------|----------|----------------------------------|------------|
|   | <b>1 January to 30 June 2017</b> | 2016     | <b>1 January to 30 June 2017</b> | 2016     | <b>1 January to 30 June 2017</b> | 2016       |
| Property and equipment                  | 4                                | 2        | 2                                | 2        | 2                                |            |
| Software and other intangible assets    | 1                                | 4        |                                  |          | 1                                | 4          |
| (Reversals of) other impairments        | <b>5</b>                         | <b>6</b> | <b>2</b>                         | <b>2</b> | <b>3</b>                         | <b>4</b>   |
| Amortisation of other intangible assets |                                  |          |                                  |          | 85                               | 98         |
|   |                                  |          |                                  |          | <b>88</b>                        | <b>102</b> |

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Notes to the Condensed consolidated statement of profit or loss - continued

**17 Discontinued operations**

Total net result from discontinued operations comprises the results from NN Group.

| <b>Total net result from discontinued operations</b>                             | <b>1 January to 30 June</b> |             |
|--|-----------------------------|-------------|
|  | <b>2017</b>                 | <b>2016</b> |
| 6 month period   |                             |             |
| NN Group   |                             | 442         |
| Net result from disposal of discontinued operations                              |                             | <b>442</b>  |
| NN Group   |                             | 442         |
| Total net result from discontinued operations (before non-controlling interests) |                             | <b>442</b>  |

The tax effect on the result on disposal of discontinued operations for the first six months of 2017 is nil (first six months of 2016: EUR 2 million).

***Net result from disposal of discontinued operations***

During the first six months of 2016, ING Group sold its remaining shares in NN Group resulting in a net profit of EUR 448 million which is recognised in the statement of profit or loss in the line Net result from disposal of discontinued operations . Also included in this line, are deferred losses related to former insurance activities.

**January 2016 Loss of significant influence over NN Group**

On 5 January 2016, ING sold a further 33 million ordinary shares of NN Group. As part of the transaction, NN Group repurchased 8 million ordinary shares. The gross proceeds to ING Group from the offering, including the repurchase by NN Group, amounted to EUR 1 billion. The transaction reduced the ownership of ING in NN Group from 25.75% (as at 31 December 2015) to 16.22%. As a result of the transaction, together with ING Group no longer having any nominees on NN Group's Supervisory Board as of 14 December 2015, ING Group no longer had significant influence over NN Group and accounted for its remaining stake in NN Group as an available-for-sale investment. The sale transaction, together with the revaluation of the remaining stake, resulted in a net profit of EUR 522 million and is recognised in the statement of profit or loss in the line Net result from disposal of discontinued operations .

**February 2016 Final tranche exchange of subordinated notes: Anchor investors**

On 2 February 2016, ING settled the exchange of the third and final tranche of EUR 337.5 million mandatory exchangeable subordinated notes which were issued in 2014 as part of the Anchor investment in NN Group. EUR 210 million of the notes were exchanged into 6.9 million NN Group ordinary shares with the three Anchor investors. EUR 128 million of notes were settled in cash with RRJ Capital. This transaction reduced ING's remaining stake in NN Group from 16.22% to 14.09%. The transaction did not have a material impact on the shareholder's equity or the

statement of profit or loss of ING Group.

**April 2016 Divestment of remaining shareholding in NN Group**

On 14 April 2016, ING Group sold its remaining shares in NN Group. The transaction involved the sale of 45.7 million ordinary shares of NN Group at gross proceeds of EUR 1,406 million and resulted in a net loss of EUR 66 million which is recognised in the statement of profit or loss, in the line Net result from disposal of discontinued operations .

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Notes to the Condensed consolidated statement of profit or loss - continued

**18 Earnings per ordinary share****Earnings per ordinary share**

|   | Amount                    |              | Weighted average number of ordinary shares outstanding during the period |            | Per ordinary share        |             |
|---|---------------------------|--------------|--|------------|---------------------------|-------------|
|   | (in EUR million)          |              | (in millions)  |            | (in EUR)                  |             |
|   | 1 January to 30 June 2017 | 2016         | 1 January to 30 June 2017  | 2016       | 1 January to 30 June 2017 | 2016        |
| 6 month period                                |                           |              |  |            |                           |             |
| Basic earnings                                | 2,980                     | 2,304        | 3,881.2  | 3,872.7    | 0.77                      | 0.60        |
| Basic earnings from discontinued operations   |                           | 442          |  |            |                           | 0.12        |
| Basic earnings from continuing operations     | <b>2,980</b>              | <b>1,862</b> |  |            | <b>0.77</b>               | <b>0.48</b> |
| Effect of dilutive instruments:               |                           |              |  |            |                           |             |
| Stock option and share plans                  |                           |              | 3.2  | 2.6        |                           |             |
|   |                           |              | <b>3.2</b>   | <b>2.6</b> |                           |             |
| Diluted earnings                              | 2,980                     | 2,304        | 3,884.4  | 3,875.3    | 0.77                      | 0.60        |
| Diluted earnings from discontinued operations |                           | 442          |  |            |                           | 0.12        |
| Diluted earnings from continuing operations   | <b>2,980</b>              | <b>1,862</b> |  |            | <b>0.77</b>               | <b>0.48</b> |

**19 Dividend per ordinary share****Dividends to shareholders of the parent**

|   | Per ordinary share<br>(in EUR) | Total<br>(in EUR million) |
|---|--------------------------------|---------------------------|
| Dividends on ordinary shares:                 |                                |                           |
| In respect of 2015                            |                                |                           |
| Final dividend, paid in cash in May 2016      | 0.41                           | 1,590                     |
| In respect of 2016                            |                                |                           |
| Interim dividend, paid in cash in August 2016 | 0.24                           | 931                       |
| Final dividend, paid in cash in May 2017      | 0.42                           | 1,632                     |
| Total dividend paid in respect of 2016        | <b>0.66</b>                    | <b>2,563</b>              |
| In respect of 2017                            |                                |                           |
| Interim dividend declared                     | <b>0.24</b>                    | <b>932</b>                |

On 8 May 2017, the Annual General Meeting of Shareholders ratified the total dividend of EUR 0.66 per ordinary share of which EUR 0.24 was paid as an interim cash dividend during 2016. The final dividend was paid entirely in cash.

ING Groep N.V. is required to withhold tax of 15% on dividends paid.

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Segment reporting

### **Segment reporting**

#### **20 Segments**

##### ***a. General***

ING Group's segments are based on the internal reporting structures by lines of business.

The Executive Board of ING Group and the Management Board of ING Bank set the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial, and financial policy in conformity with the strategy and performance targets set by the Executive Board of ING Group and the Management Board of ING Bank.

Recognition and measurement of segment results are in line with the accounting policies as described in 2016 ING Form 20-F, Note 1 Accounting policies. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income, expenses and/or assets of the segment.

ING Group evaluates the results of its banking segments using a financial performance measure called underlying result. Underlying result is used to monitor the performance of ING Group at a consolidated level and by segment. The Executive Board of ING Group and Management Board of ING Bank consider this measure to be relevant to an understanding of the Group's financial performance, because it allows investors to understand the primary method used by management to evaluate the Group's operating performance and make decisions about allocating resources. In addition, ING Group believes that the presentation of underlying net result helps investors compare its segment performance on a meaningful basis by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. Underlying result is derived by excluding from IFRS the following: special items; the impact of divestments and Legacy Insurance.

Underlying result excludes special items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities. Disclosures on comparative periods also reflect the impact of divestments. Legacy Insurance consists of the results from discontinued operations and the results from Insurance Other. Insurance Other reflects (former) insurance related activities that are not part of the discontinued operations.

ING Group reconciles the total segment results to the total result of Banking using Corporate Line Banking. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in.

Underlying result as presented below is a non-GAAP financial measure and is not a measure of financial performance under IFRS. Because underlying result is not determined in accordance with IFRS, underlying result as presented by ING may not be comparable to other similarly titled measures of performance of other companies. The underlying result of ING's segments is reconciled to the Net result as reported in the IFRS Condensed consolidated statement of profit or loss below. In calculating underlying result for its Banking segments, ING Group also uses the measures

underlying net profit, underlying expenses, underlying cost/income ratio and underlying result before tax, each of which are also non-GAAP financial measures. The Executive Board of ING Group and Management Board of ING Bank consider these measures to be meaningful as it helps investors to compare its segment performance by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. The information presented in this note is in line with the information presented to the Executive and Management Boards.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

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Segment reporting - continued

**b. ING Group****ING Group Total  
6 month period**

| <b>1 January to 30 June 2017</b>                                   | <b>ING<br/>Bank N.V.</b> | <b>Other<br/>Banking<sup>1</sup></b> | <b>Total Banking</b> | <b>Legacy<br/>Insurance</b> | <b>Total</b> |
|--|--------------------------|--------------------------------------|----------------------|-----------------------------|--------------|
| <b>Underlying income</b>   |                          |                                      |                      |                             |              |
| Net interest income  | 6,756                    | 45                                   | 6,711                |                             | 6,711        |
| Net commission income  | 1,397                    |                                      | 1,396                |                             | 1,396        |
| Total investment and other income                                  | 1,480                    | 10                                   | 1,490                |                             | 1,490        |
| <b>Total underlying income</b>                                     | <b>9,633</b>             | <b>35</b>                            | <b>9,598</b>         |                             | <b>9,598</b> |
| <b>Underlying expenditure</b>                                      |                          |                                      |                      |                             |              |
| Operating expenses   | 4,908                    | 14                                   | 4,922                |                             | 4,922        |
| Additions to loan loss provision                                   | 362                      |                                      | 362                  |                             | 362          |
| <b>Total underlying expenses</b>                                   | <b>5,269</b>             | <b>14</b>                            | <b>5,284</b>         |                             | <b>5,284</b> |
| <b>Underlying result before taxation</b>                           | <b>4,363</b>             | <b>50</b>                            | <b>4,314</b>         |                             | <b>4,314</b> |
| Taxation   | 1,242                    | 16                                   | 1,226                |                             | 1,226        |
| Non-controlling interests  | 44                       |                                      | 44                   |                             | 44           |
| <b>Underlying net result</b>                                       | <b>3,078</b>             | <b>33</b>                            | <b>3,044</b>         |                             | <b>3,044</b> |
| Insurance Other <sup>2</sup>                                       |                          |                                      |                      | 64                          | 64           |
| <b>Net result IFRS attributable to equity holder of the parent</b> | <b>3,078</b>             | <b>33</b>                            | <b>3,044</b>         | <b>64</b>                   | <b>2,980</b> |

1 Comprises for the most part the funding charges of ING Groep N.V. (Holding).

2 Insurance Other mainly comprises the net result relating to warrants on the shares of Voya and NN Group  
Reconciliation between Underlying and IFRS income, expenses and net result

**6 month period**

| <b>1 January to 30 June 2017</b> | <b>Income</b> | <b>Expenses</b> | <b>Taxation</b> | <b>Non-<br/>Controlling<br/>interests</b> | <b>Net result<sup>1</sup></b> |
|----------------------------------|---------------|-----------------|-----------------|---|-------------------------------|
| Underlying                       | 9,598         | 5,284           | 1,226           | 44  | 3,044                         |
| Insurance Other                  |               | 64              |                 |   | 64                            |

|   |              |              |              |           |              |
|---|--------------|--------------|--------------|-----------|--------------|
| Net result IFRS attributable to equity holder of the parent | <b>9,534</b> | <b>5,284</b> | <b>1,226</b> | <b>44</b> | <b>2,980</b> |
|---|--------------|--------------|--------------|-----------|--------------|

1 Net result, after tax and non-controlling interests.

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Segment reporting - continued

**ING Group Total  
6 month period**

| <b>1 January to 30 June 2016</b>                                   | ING<br>Bank N.V. | Other<br>Banking <sup>1</sup> | Total<br>Banking | Legacy<br>Insurance | Total        |
|--|------------------|-------------------------------|------------------|---------------------|--------------|
| <b>Underlying income</b>   |                  |                               |                  |                     |              |
| Net interest income  | 6,559            | 44                            | 6,515            |                     | 6,515        |
| Net commission income  | 1,218            |                               | 1,217            |                     | 1,217        |
| Total investment and other income                                  | 506              | 12                            | 518              |                     | 518          |
| <b>Total underlying income</b>                                     | <b>8,282</b>     | <b>32</b>                     | <b>8,250</b>     |                     | <b>8,250</b> |
| <b>Underlying expenditure</b>                                      |                  |                               |                  |                     |              |
| Operating expenses   | 4,870            | 2                             | 4,868            |                     | 4,868        |
| Additions to loan loss provision                                   | 571              |                               | 571              |                     | 571          |
| <b>Total underlying expenses</b>                                   | <b>5,441</b>     | <b>2</b>                      | <b>5,439</b>     |                     | <b>5,439</b> |
| <b>Underlying result before taxation</b>                           | <b>2,841</b>     | <b>30</b>                     | <b>2,811</b>     |                     | <b>2,811</b> |
| Taxation   | 772              | 11                            | 761              |                     | 761          |
| Non-controlling interests  | 39               |                               | 39               |                     | 39           |
| <b>Underlying net result</b>                                       | <b>2,030</b>     | <b>19</b>                     | <b>2,011</b>     |                     | <b>2,011</b> |
| Special items  | 13               |                               | 13               |                     | 13           |
| Insurance Other <sup>2</sup>                                       |                  |                               |                  | 136                 | 136          |
| <b>Net result IFRS (continuing operations)</b>                     | <b>2,017</b>     | <b>19</b>                     | <b>1,999</b>     | <b>136</b>          | <b>1,862</b> |
| Total net result from discontinued operations NN Group             |                  |                               |                  | 442                 | 442          |
| <b>Net result IFRS attributable to equity holder of the parent</b> | <b>2,017</b>     | <b>19</b>                     | <b>1,999</b>     | <b>306</b>          | <b>2,304</b> |

1 Comprises for the most part the funding charges of ING Groep N.V. (Holding).

2 Insurance Other comprises mainly the net result relating to warrants on the shares of Voya and NN Group.

**Reconciliation between Underlying and IFRS income, expenses and net result**

6 month period

| 1 January to 30 June 2016 | Income | Expenses | Taxation | Non-<br>Controlling<br>interests | Net<br>result <sup>1</sup> |
|---------------------------|--------|----------|----------|----------------------------------|----------------------------|
| Underlying                | 8,250  | 5,439    | 761      | 39                               | 2,011                      |
| Special items             |        | 17       | 4        |                                  | 13                         |
| Insurance Other           | 136    |          |          |                                  | 136                        |

|   |              |              |            |           |              |
|---|--------------|--------------|------------|-----------|--------------|
| IFRS (continuing operations)                                | <b>8,114</b> | <b>5,456</b> | <b>757</b> | <b>39</b> | <b>1,862</b> |
| Total net result from discontinued operations               |              |              |            |           | 442          |
| Net result IFRS attributable to equity holder of the parent |              |              |            |           | <b>2,304</b> |

1 Net result, after tax and non-controlling interests.

Special items in the first six months of 2016 comprise additional charges related to previously announced restructuring programmes in Retail Netherlands that were announced before 2013.

Reference is made to Note 17 Discontinued operations for information on Discontinued operations.

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Segment reporting - continued

**c. Banking activities****Segments Banking by line of business  
6 month period**

| <b>1 January to 30 June 2017</b>             | <b>Retail<br/>Netherlands</b> | <b>Retail<br/>Belgium</b> | <b>Retail<br/>Germany</b> | <b>Retail<br/>Other</b> | <b>Wholesale<br/>Banking</b> | <b>Corporate<br/>Line Banking</b> | <b>Total<br/>Banking</b> |
|--|-------------------------------|---------------------------|---------------------------|-------------------------|------------------------------|-----------------------------------|--------------------------|
| <b>Underlying income</b>                     |                               |                           |                           |                         |                              |                                   |                          |
| Net interest income                          | 1,778                         | 945                       | 821                       | 1,199                   | 1,896                        | 71                                | 6,711                    |
| Net commission income                        | 301                           | 229                       | 99                        | 193                     | 577                          | 3                                 | 1,396                    |
| Total investment and other income            | 114                           | 125                       | 2                         | 85                      | 1,331                        | 162                               | 1,490                    |
| <b>Total underlying income</b>               | <b>2,193</b>                  | <b>1,298</b>              | <b>918</b>                | <b>1,477</b>            | <b>3,804</b>                 | <b>93</b>                         | <b>9,598</b>             |
| <b>Underlying expenditure</b>                |                               |                           |                           |                         |                              |                                   |                          |
| Operating expenses                           | 1,121                         | 872                       | 514                       | 890                     | 1,373                        | 152                               | 4,922                    |
| Additions to loan loss provision             | 29                            | 49                        | 6                         | 107                     | 170                          | 1                                 | 362                      |
| <b>Total underlying expenses</b>             | <b>1,150</b>                  | <b>922</b>                | <b>520</b>                | <b>996</b>              | <b>1,543</b>                 | <b>153</b>                        | <b>5,284</b>             |
| <b>Underlying result before taxation</b>     | <b>1,043</b>                  | <b>377</b>                | <b>398</b>                | <b>481</b>              | <b>2,261</b>                 | <b>246</b>                        | <b>4,314</b>             |
| Taxation                                     | 262                           | 123                       | 134                       | 118                     | 642                          | 53                                | 1,226                    |
| Non-controlling interests                    |                               | 3                         | 1                         | 32                      | 7                            |                                   | 44                       |
| <b>Underlying net result/Net result IFRS</b> | <b>781</b>                    | <b>251</b>                | <b>264</b>                | <b>331</b>              | <b>1,611</b>                 | <b>193</b>                        | <b>3,044</b>             |

**Segments Banking by line of business  
6 month period**

| <b>1 January to 30 June 2016</b>         | <b>Retail<br/>Netherlands</b> | <b>Retail<br/>Belgium</b> | <b>Retail<br/>Germany</b> | <b>Retail<br/>Other</b> | <b>Wholesale<br/>Banking</b> | <b>Corporate<br/>Line Banking</b> | <b>Total<br/>Banking</b> |
|--|-------------------------------|---------------------------|---------------------------|-------------------------|------------------------------|-----------------------------------|--------------------------|
| <b>Underlying income</b>                 |                               |                           |                           |                         |                              |                                   |                          |
| Net interest income                      | 1,832                         | 969                       | 839                       | 1,023                   | 1,827                        | 25                                | 6,515                    |
| Net commission income                    | 269                           | 208                       | 83                        | 135                     | 524                          | 2                                 | 1,217                    |
| Total investment and other income        | 58                            | 148                       | 63                        | 213                     | 52                           | 16                                | 518                      |
| <b>Total underlying income</b>           | <b>2,159</b>                  | <b>1,325</b>              | <b>985</b>                | <b>1,371</b>            | <b>2,403</b>                 | <b>7</b>                          | <b>8,250</b>             |
| <b>Underlying expenditure</b>            |                               |                           |                           |                         |                              |                                   |                          |
| Operating expenses                       | 1,400                         | 730                       | 510                       | 828                     | 1,265                        | 135                               | 4,868                    |
| Additions to loan loss provision         | 99                            | 89                        | 22                        | 122                     | 240                          |                                   | 571                      |
| <b>Total underlying expenses</b>         | <b>1,499</b>                  | <b>818</b>                | <b>532</b>                | <b>949</b>              | <b>1,505</b>                 | <b>135</b>                        | <b>5,439</b>             |
| <b>Underlying result before taxation</b> | <b>661</b>                    | <b>507</b>                | <b>452</b>                | <b>422</b>              | <b>898</b>                   | <b>128</b>                        | <b>2,811</b>             |

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|                              |            |            |            |            |            |           |              |
|------------------------------|------------|------------|------------|------------|------------|-----------|--------------|
| Taxation                     | 161        | 161        | 135        | 95         | 279        | 71        | 761          |
| Non-controlling interests    |            | 1          | 1          | 33         | 6          |           | 39           |
| <b>Underlying net result</b> | <b>499</b> | <b>347</b> | <b>316</b> | <b>293</b> | <b>612</b> | <b>57</b> | <b>2,011</b> |
| Special items                | 13         |            |            |            |            |           | 13           |
| <b>Net result IFRS</b>       | <b>487</b> | <b>347</b> | <b>316</b> | <b>293</b> | <b>612</b> | <b>57</b> | <b>1,999</b> |

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Segment reporting - continued

**Geographical segments Banking**

6 month period

| 1 January to 30 June 2017                |              |              |              |                     |                   | Wholesale<br>Banking Rest<br>of |            | Total<br>Banking |
|--|--------------|--------------|--------------|---------------------|-------------------|---------------------------------|------------|------------------|
|  | Netherlands  | Belgium      | Germany      | Other<br>Challenger | Growth<br>Markets | World                           | Other      |                  |
| <b>Underlying income</b>                 |              |              |              |                     |                   |                                 |            |                  |
| Net interest income                      | 2,256        | 1,079        | 1,050        | 748                 | 742               | 763                             | 72         | 6,711            |
| Net commission income                    | 448          | 288          | 125          | 113                 | 161               | 264                             | 3          | 1,396            |
| Total investment and other income        | 646          | 405          | 181          | 2                   | 122               | 194                             | 55         | 1,490            |
| <b>Total underlying income</b>           | <b>3,351</b> | <b>1,772</b> | <b>1,356</b> | <b>859</b>          | <b>1,025</b>      | <b>1,221</b>                    | <b>14</b>  | <b>9,598</b>     |
| <b>Underlying expenditure</b>            |              |              |              |                     |                   |                                 |            |                  |
| Operating expenses                       | 1,474        | 1,122        | 571          | 509                 | 551               | 538                             | 157        | 4,922            |
| Additions to loan loss provision         | 6            | 78           | 2            | 97                  | 110               | 69                              | 1          | 362              |
| <b>Total underlying expenses</b>         | <b>1,480</b> | <b>1,200</b> | <b>573</b>   | <b>606</b>          | <b>661</b>        | <b>607</b>                      | <b>157</b> | <b>5,284</b>     |
| <b>Underlying result before taxation</b> | <b>1,870</b> | <b>572</b>   | <b>783</b>   | <b>253</b>          | <b>364</b>        | <b>614</b>                      | <b>143</b> | <b>4,314</b>     |
| Taxation                                 | 483          | 198          | 258          | 80                  | 79                | 174                             | 47         | 1,226            |
| Non-controlling interests                |              | 3            | 1            |                     | 40                |                                 |            | 44               |
| <b>Underlying net result/Net result</b>  |              |              |              |                     |                   |                                 |            |                  |
| <b>IFRS</b>                              | <b>1,387</b> | <b>371</b>   | <b>524</b>   | <b>173</b>          | <b>245</b>        | <b>441</b>                      | <b>96</b>  | <b>3,044</b>     |

**Geographical segments Banking**

6 month period

| 1 January to 30 June 2016                |              |              |            |                     |                   | Wholesale<br>Banking Rest<br>of |            | Total<br>Banking |
|--|--------------|--------------|------------|---------------------|-------------------|---------------------------------|------------|------------------|
|  | Netherlands  | Belgium      | Germany    | Other<br>Challenger | Growth<br>Markets | World                           | Other      |                  |
| <b>Underlying income</b>                 |              |              |            |                     |                   |                                 |            |                  |
| Net interest income                      | 2,318        | 1,087        | 989        | 701                 | 600               | 796                             | 25         | 6,515            |
| Net commission income                    | 401          | 268          | 120        | 72                  | 137               | 221                             | 1          | 1,217            |
| Total investment and other income        | 252          | 57           | 219        | 77                  | 226               | 123                             | 3          | 518              |
| <b>Total underlying income</b>           | <b>2,970</b> | <b>1,411</b> | <b>890</b> | <b>849</b>          | <b>963</b>        | <b>1,140</b>                    | <b>27</b>  | <b>8,250</b>     |
| <b>Underlying expenditure</b>            |              |              |            |                     |                   |                                 |            |                  |
| Operating expenses                       | 1,764        | 904          | 556        | 454                 | 532               | 517                             | 139        | 4,868            |
| Additions to loan loss provision         | 194          | 126          | 22         | 66                  | 102               | 61                              |            | 571              |
| <b>Total underlying expenses</b>         | <b>1,959</b> | <b>1,030</b> | <b>578</b> | <b>520</b>          | <b>634</b>        | <b>578</b>                      | <b>139</b> | <b>5,439</b>     |
| <b>Underlying result before taxation</b> | <b>1,011</b> | <b>381</b>   | <b>311</b> | <b>329</b>          | <b>329</b>        | <b>562</b>                      | <b>112</b> | <b>2,811</b>     |
| Taxation                                 | 249          | 112          | 92         | 98                  | 62                | 215                             | 67         | 761              |
| Non-controlling interests                |              | 1            | 1          |                     | 39                |                                 |            | 39               |

|                              |            |            |            |            |            |            |           |              |
|------------------------------|------------|------------|------------|------------|------------|------------|-----------|--------------|
| <b>Underlying net result</b> | <b>763</b> | <b>270</b> | <b>219</b> | <b>231</b> | <b>228</b> | <b>346</b> | <b>46</b> | <b>2,011</b> |
| Special items                | 13         |            |            |            |            |            |           | 13           |
| <b>Net result IFRS</b>       | <b>750</b> | <b>270</b> | <b>219</b> | <b>231</b> | <b>228</b> | <b>346</b> | <b>46</b> | <b>1,999</b> |

IFRS statements of financial position by segment are not reported internally to, and not managed by, the chief operating decision maker.

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Additional notes to the Condensed consolidated interim accounts

**Additional notes to the condensed consolidated interim accounts****21 Fair value of financial assets and liabilities**

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

**Fair value of financial assets and liabilities**

|  | Estimated fair value |                  | Statement of financial position value |                  |
|--|----------------------|------------------|---------------------------------------|------------------|
|  | 30 June 2017         | 31 December 2016 | 30 June 2017                          | 31 December 2016 |
| <b>Financial assets</b>                                    |                      |                  |                                       |                  |
| Cash and balances with central banks                       | 17,894               | 18,144           | 17,894                                | 18,144           |
| Loans and advances to banks                                | 28,121               | 28,940           | 27,987                                | 28,858           |
| Financial assets at fair value through profit or loss      |                      |                  |                                       |                  |
| trading assets   | 135,246              | 114,504          | 135,246                               | 114,504          |
| non-trading derivatives                                    | 2,926                | 2,490            | 2,926                                 | 2,490            |
| designated as at fair value through profit or loss         | 4,971                | 5,099            | 4,971                                 | 5,099            |
| Investments  |                      |                  |                                       |                  |
| available-for-sale   | 73,135               | 82,912           | 73,135                                | 82,912           |
| held-to-maturity   | 10,371               | 8,809            | 10,306                                | 8,751            |
| Loans and advances to customers                            | 583,225              | 578,596          | 565,421                               | 560,154          |
| Other assets <sup>1</sup>                                  | 14,835               | 13,709           | 14,835                                | 13,709           |
|  | <b>870,724</b>       | <b>853,203</b>   | <b>852,721</b>                        | <b>834,621</b>   |
| <b>Financial liabilities</b>                               |                      |                  |                                       |                  |
| Deposits from banks  | 39,405               | 32,352           | 39,248                                | 31,964           |
| Customer deposits  | 535,922              | 523,850          | 533,196                               | 522,908          |
| Financial liabilities at fair value through profit or loss |                      |                  |                                       |                  |
| trading liabilities  | 88,677               | 83,167           | 88,677                                | 83,167           |
| non-trading derivatives                                    | 2,939                | 3,541            | 2,939                                 | 3,541            |
| designated as at fair value through profit or loss         | 11,586               | 12,266           | 11,586                                | 12,266           |
| Other liabilities <sup>2</sup>                             | 16,184               | 15,247           | 16,184                                | 15,247           |
| Debt securities in issue                                   | 99,805               | 103,559          | 98,968                                | 103,234          |
| Subordinated loans   | 16,899               | 17,253           | 16,340                                | 17,223           |
|  | <b>811,417</b>       | <b>791,235</b>   | <b>807,138</b>                        | <b>789,550</b>   |

- 1 Other assets do not include, among others: (deferred) tax assets, net defined benefit asset and property development and obtained from foreclosures.
- 2 Other liabilities do not include, among others: (deferred) tax liabilities, net defined benefit and related employee benefit liabilities, reorganisation and other provisions and other taxation and social security contributions.

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Additional notes to the Condensed consolidated interim accounts - continued

***Fair value hierarchy***

ING Group has categorised its financial instruments that are either measured in the statement of financial position at fair value or of which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis. The fair value hierarchy consists of three levels, depending upon whether fair values were determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include for example illiquid debt securities, complex derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), and asset backed securities for which there is no active market and a wide dispersion in quoted prices.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on the Group's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the market. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates, and certain credit spreads. Transfers into and transfers out of fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer.

***Level 1 (Unadjusted) quoted prices in active markets***

Value is determined directly by reference to (unadjusted) quoted prices in an active market that ING Group can access. Transfers out of Level 1 into Level 2 or Level 3 occur when ING Group establishes that markets are no longer active and therefore (unadjusted) quoted prices no longer provide reliable pricing information.

***Level 2 Valuation technique supported by observable inputs***

Value is based on market observables other than (unadjusted) quoted prices. The fair value for financial instruments in this category can be determined by reference to quoted prices for similar instruments in active markets, but for which the prices are modified based on other market observable external data or reference to quoted prices for identical or similar instruments in markets that are not active. These prices can be obtained from a third party pricing service. ING analyses how the prices are derived and determines whether the prices are liquid tradable prices or model based consensus prices taking various data as inputs.

If certain inputs in the model are unobservable, the instrument is still classified in this category, provided that the impact of those unobservable inputs on the overall valuation is insignificant. If the combined change in asset value resulting from the shift of the unobservable parameters and the model uncertainty exceeds the threshold, the asset is classified as Level 3.

***Level 3 Valuation technique supported by unobservable inputs***

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Value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive.

Further information on the fair value hierarchy is disclosed in the 2016 ING Form 20-F in Note 37 Fair value of assets and liabilities .

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Additional notes to the Condensed consolidated interim accounts - continued

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

**Methods applied in determining fair values of financial assets and liabilities (carried at fair value)**

|  | Level 1       |                  | Level 2        |                  | Level 3      |                  | Total          |                  |
|--|---------------|------------------|----------------|------------------|--------------|------------------|----------------|------------------|
|  | 30 June 2017  | 31 December 2016 | 30 June 2017   | 31 December 2016 | 30 June 2017 | 31 December 2016 | 30 June 2017   | 31 December 2016 |
| <b>Financial Assets</b>  |               |                  |                |                  |              |                  |                |                  |
| Trading assets   | 18,817        | 17,652           | 115,373        | 95,629           | 1,056        | 1,223            | 135,246        | 114,504          |
| Non-trading derivatives  |               | 3                | 2,783          | 2,231            | 143          | 256              | 2,926          | 2,490            |
| Financial assets designated as at fair value through profit or loss      | 297           | 502              | 4,153          | 4,141            | 521          | 456              | 4,971          | 5,099            |
| Available-for-sale investments   | 67,675        | 76,238           | 4,959          | 6,153            | 501          | 521              | 73,135         | 82,912           |
|  | <b>86,789</b> | <b>94,395</b>    | <b>127,268</b> | <b>108,154</b>   | <b>2,221</b> | <b>2,456</b>     | <b>216,278</b> | <b>205,005</b>   |
| <b>Financial liabilities</b>   |               |                  |                |                  |              |                  |                |                  |
| Trading liabilities  | 5,662         | 6,139            | 81,942         | 75,650           | 1,073        | 1,378            | 88,677         | 83,167           |
| Non-trading derivatives  |               |                  | 2,920          | 3,517            | 19           | 24               | 2,939          | 3,541            |
| Financial liabilities designated as at fair value through profit or loss | 1,202         | 1,348            | 10,274         | 10,795           | 110          | 123              | 11,586         | 12,266           |
|  | <b>6,864</b>  | <b>7,487</b>     | <b>95,136</b>  | <b>89,962</b>    | <b>1,202</b> | <b>1,525</b>     | <b>103,202</b> | <b>98,974</b>    |

Main changes in fair value hierarchy in the first six months of 2017 In the first six months of 2017, the increase in Level 2 financial assets and liabilities is mainly due to increased (reverse) repurchase balances.

There were no significant transfers between Level 1 and Level 2.

In the first six months of 2017 there were no changes in the valuation techniques.

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Additional notes to the Condensed consolidated interim accounts - continued

**Changes in Level 3 Financial assets**

|   | Trading assets                    |                             | Non-trading derivatives           |                             | Financial assets designated as at fair value through profit or loss |                             | Available-for-sale investments    |                             | Total                             |                             |
|---|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|---|-----------------------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
|   | 6 month period ended 30 June 2017 | year ended 31 December 2016 | 6 month period ended 30 June 2017 | year ended 31 December 2016 | 6 month period ended 30 June 2017                                   | year ended 31 December 2016 | 6 month period ended 30 June 2017 | year ended 31 December 2016 | 6 month period ended 30 June 2017 | year ended 31 December 2016 |
| Opening balance   | 1,223                             | 1,146                       | 256                               | 168                         | 456   | 338                         | 521                               | 693                         | 2,456                             | 2,345                       |
| Realised gain/loss recognised in the statement of profit or loss during the period <sup>1</sup> | 297                               | 226                         | 113                               | 34                          | 16  | 76                          | 8                                 | 200                         | 418                               | 468                         |
| Revaluation recognised in other comprehensive income during the period <sup>2</sup>             |                                   |                             |                                   |                             |   |                             |                                   | 144                         |                                   | 144                         |
| Purchase of assets  | 535                               | 77                          |                                   | 5                           | 156   | 193                         | 16                                | 68                          | 707                               | 343                         |
| Sale of assets  | 285                               | 71                          |                                   | 4                           |   | 76                          | 30                                | 183                         | 315                               | 334                         |
| Maturity/settlement   | 111                               | 135                         |                                   |                             |   |                             | 6                                 | 9                           | 117                               | 144                         |
| Reclassifications   |                                   |                             |                                   |                             |   |                             | 9                                 | 92                          | 9                                 | 92                          |
| Transfers into Level 3  | 5                                 | 21                          |                                   | 62                          |   |                             |                                   | 5                           | 5                                 | 88                          |
| Transfers out of Level 3  | 12                                | 43                          |                                   |                             | 75  | 75                          | 13                                |                             | 100                               | 118                         |
| Exchange rate differences   | 2                                 | 3                           |                                   |                             |   |                             | 2                                 | 8                           | 4                                 | 11                          |
| Changes in the composition of the group and other changes                                       |                                   |                             | 1                                 | 59                          |   |                             | 2                                 | 25                          | 2                                 | 33                          |
| Closing balance   | 1,056                             | 1,223                       | 143                               | 256                         | 521   | 456                         | 501                               | 521                         | 2,221                             | 2,456                       |

1 Net gains/losses were recorded in income from trading activities in continuing operations herein as Valuation results and net trading income in the statement of profit or loss.

2 Revaluation recognised in other comprehensive income is included on the line Unrealised revaluations available-for-sale investments and other revaluations .

In the first six months of 2017, financial assets were transferred out of Level 3 on the basis that the valuation is not significantly impacted by unobservable inputs.

Financial liabilities designated as at

**Changes in Level 3 Financial liabilities**

|   | Trading liabilities               |                             | Non-trading derivatives           |                             | Financial liabilities designated as at fair value through profit or loss |                             | Total                             |                             |
|---|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|--|-----------------------------|-----------------------------------|-----------------------------|
|   | 6 month period ended 30 June 2017 | year ended 31 December 2016 | 6 month period ended 30 June 2017 | year ended 31 December 2016 | 6 month period ended 30 June 2017  | year ended 31 December 2016 | 6 month period ended 30 June 2017 | year ended 31 December 2016 |
| Opening balance   | 1,378                             | 1,239                       | 24                                | 1                           | 123  | 198                         | 1,525                             | 1,438                       |
| Realised gain/loss recognised in the statement of profit or loss during the period <sup>1</sup> | 184                               | 277                         | 5                                 | 12                          | 2  | 3                           | 191                               | 286                         |
| Issue of liabilities  | 444                               | 53                          |                                   | 11                          |  | 4                           | 444                               | 68                          |
| Early repayment of liabilities  | 342                               | 62                          |                                   | 11                          | 6  | 13                          | 348                               | 86                          |
| Maturity/settlement   | 155                               | 62                          |                                   |                             | 1  |                             | 156                               | 62                          |
| Transfers into Level 3  | 19                                | 16                          |                                   | 11                          |  |                             | 19                                | 27                          |
| Transfers out of Level 3  | 85                                | 86                          |                                   |                             | 4  | 63                          | 89                                | 149                         |
| Exchange rate differences   | 2                                 | 6                           |                                   |                             |  |                             | 2                                 | 6                           |
| Changes in the composition of the group and other changes                                       |                                   | 3                           |                                   |                             |  |                             |                                   | 3                           |
| Closing balance   | <b>1,073</b>                      | <b>1,378</b>                | <b>19</b>                         | <b>24</b>                   | <b>110</b>   | <b>123</b>                  | <b>1,202</b>                      | <b>1,525</b>                |

1 Net gains/losses were recorded in income from trading activities in continuing operations included herein as Valuation results and net trading income in the statement of profit or loss.

In the first six months of 2017, financial liabilities were transferred out of Level 3 mainly due to the valuation not being significantly impacted by unobservable inputs.

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**Amounts recognised in the statement of profit or loss during the period (Level 3)**

|   | Held at balance<br>sheet date |                | Derecognised<br>during the<br>period |                | Total                   |                |
|---|-------------------------------|----------------|--------------------------------------|----------------|-------------------------|----------------|
|   | 6 month<br>period ended       | year<br>ended  | 6 month<br>period ended              | year<br>ended  | 6 month<br>period ended | year<br>ended  |
|   | 30 June                       | 31<br>December | 30 June                              | 31<br>December | 30 June                 | 31<br>December |
|   | 2017                          | 2016           | 2017                                 | 2016           | 2017                    | 2016           |
| <b>Financial assets</b>   |                               |                |                                      |                |                         |                |
| Trading assets  | 297                           | 226            |                                      |                | 297                     | 226            |
| Non-trading derivatives   | 113                           | 34             |                                      |                | 113                     | 34             |
| Financial assets designated as at fair value<br>through profit or loss      | 16                            | 76             |                                      |                | 16                      | 76             |
| Available-for-sale investments  |                               | 3              | 8                                    | 203            | 8                       | 200            |
|   | <b>426</b>                    | <b>265</b>     | <b>8</b>                             | <b>203</b>     | <b>418</b>              | <b>468</b>     |
| <b>Financial liabilities</b>  |                               |                |                                      |                |                         |                |
| Trading liabilities   | 184                           | 277            |                                      |                | 184                     | 277            |
| Non-trading derivatives   | 5                             | 12             |                                      |                | 5                       | 12             |
| Financial liabilities designated as at fair<br>value through profit or loss | 2                             | 3              |                                      |                | 2                       | 3              |
|   | <b>191</b>                    | <b>286</b>     |                                      |                | <b>191</b>              | <b>286</b>     |

**Recognition of unrealised gains and losses in Level 3**

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

Results on trading assets and trading liabilities are included in Other income - Valuation results and net trading income;

Non-trading derivatives are included in Other income - Valuation results and net trading income; and

Financial assets and liabilities designated at fair value through profit or loss are included in Other income - Valuation results and net trading income - Valuation results on assets and liabilities designated at fair value through profit or loss (excluding trading).

Unrealised gains and losses that relate to Available-for-sale investments recognised in Other comprehensive income are included in the Revaluation reserve - Available for sale reserve and other.

### **Level 3 Financial assets and liabilities**

Financial assets measured at fair value in the statement of financial position as at 30 June 2017 of EUR 216 billion includes an amount of EUR 2.2 billion (1.0%) which is classified as Level 3 (31 December 2016: EUR 2.5 billion, being 1.2%). Changes in Level 3 from 31 December 2016 to 30 June 2017 are disclosed above in the table Changes in Level 3 Financial assets .

Financial liabilities measured at fair value in the statement of financial position as at 30 June 2017 of EUR 103 billion includes an amount of EUR 1.2 billion (1.2%) which is classified as Level 3 (31 December 2016: EUR 1.5 billion, being 1.5%). Changes in Level 3 from 31 December 2016 to 30 June 2017 are disclosed above in the table Changes in Level 3 Financial liabilities .

Of the total amount of financial assets classified as Level 3 as at 30 June 2017 of EUR 2.2 billion (31 December 2016: EUR 2.5 billion), an amount of EUR 0.9 billion (41%) (31 December 2016: EUR 1.0 billion, being 42%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial assets includes approximately EUR 0.5 billion (31 December 2016: EUR 0.5 billion) which relates to financial assets that are part of structures that are designed to be fully neutral in terms of market risk. Such structures include various financial assets and liabilities for which the overall sensitivity to market risk is insignificant. Whereas the fair value of individual components of these structures may be determined using different techniques and the fair value of each of the components of these structures may be sensitive to unobservable inputs, the overall sensitivity is by design not significant.

The remaining EUR 0.8 billion (31 December 2016: EUR 1.0 billion) of the fair value classified in Level 3 financial assets is established using valuation techniques that incorporates certain inputs that are unobservable. This relates mainly to assets that are classified as Available-for-sale investments, for which changes in fair value are recognised in the statement of comprehensive income on the line Unrealised revaluations available-for-sale investments and other revaluations and do not directly impact profit or loss.

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Of the total amount of financial liabilities classified as Level 3 as at 30 June 2017 of EUR 1.2 billion (31 December 2016: EUR 1.5 billion), an amount of EUR 0.7 billion (61%) (31 December 2016: EUR 0.9 billion, being 59%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial liabilities includes approximately EUR 0.1 billion (31 December 2016: EUR 0.1 billion) which relates to financial liabilities that are part of structures that are designed to be fully neutral in terms of market risk. As explained above, the fair value of each of the components of these structures may be sensitive to unobservable inputs, but the overall sensitivity is by design not significant.

The remaining EUR 0.4 billion (31 December 2016: EUR 0.5 billion) of the fair value classified in Level 3 financial liabilities is established using valuation techniques that incorporates certain inputs that are unobservable.

The table below provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of Level 3 asset/liability. The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range can vary from period to period subject to market movements and change in Level 3 position. Lower and upper bounds reflect the variability of Level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, reference is made to section Sensitivity analysis of unobservable inputs (Level 3) below.

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**Valuation techniques and range of unobservable inputs (Level 3)**

|   |              |               |              |               | Valuation techniques     | Significant unobservable inputs | Lower range  |               |              |               | Upper range |  |  |  |
|---|--------------|---------------|--------------|---------------|--------------------------|---------------------------------|--------------|---------------|--------------|---------------|-------------|--|--|--|
|   | Assets       |               | Liabilities  |               |                          |                                 | Lower range  |               | Upper range  |               |             |  |  |  |
|   | 30 June 2017 | December 2016 | 30 June 2017 | December 2016 |                          |                                 | 30 June 2017 | December 2016 | 30 June 2017 | December 2016 |             |  |  |  |
| <b>At fair value through profit or loss</b> |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
| <b>Debt securities</b>                      |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
|   | 329          | 180           |              |               | Price based              | Price (%)                       | 0%           | 0%            | 125%         | 122%          |             |  |  |  |
|   |              |               |              |               | Net asset value          | Price (%)                       | 0%           | 10%           | 0%           | 19%           |             |  |  |  |
| <b>Equity securities</b>                    |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
|   | 2            | 4             |              |               | Price based              | Price (%)                       | 1%           | 0%            | 8%           | 0%            |             |  |  |  |
| <b>Loans and advances</b>                   |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
|   | 233          | 326           | 1            | 3             | Price based              | Price (%)                       | 60%          | 60%           | 79%          | 101%          |             |  |  |  |
|   |              |               |              |               | Present value techniques | Credit spread (bps)             | 130          | 130           | 130          | 150           |             |  |  |  |
| <b>Structured notes</b>                     |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
|   | 1            | 6             | 118          | 125           | Price based              | Price (%)                       | 52%          | 52%           | 117%         | 111%          |             |  |  |  |
|   |              |               |              |               | Net asset value          | Price (%)                       | n.a          | 19%           | n.a          | 19%           |             |  |  |  |
|   |              |               |              |               | Option pricing model     | Equity volatility (%)           | 15%          | 16%           | 28%          | 34%           |             |  |  |  |
|   |              |               |              |               |                          | Equity/Equity correlation       | 0.0          | 0.0           | 0.7          | 0.8           |             |  |  |  |
|   |              |               |              |               |                          | Equity/FX correlation           | 0.4          | 0.4           | 0.3          | 0.1           |             |  |  |  |
|   |              |               |              |               |                          | Dividend yield (%)              | 1%           | 1%            | 4%           | 5%            |             |  |  |  |
|   |              |               |              |               |                          | Interest rate volatility (%)    | n.a          | n.a           | n.a          | n.a           |             |  |  |  |
|   |              |               |              |               | Present value techniques | Implied correlation             | 0.7          | 0.7           | 0.7          | 0.7           |             |  |  |  |
| <b>Derivatives</b>                          |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
| <b>Rates</b>                                |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
|   | 554          | 486           | 486          | 457           | Option pricing model     | Interest rate volatility (bps)  | 26           | 22            | 300          | 300           |             |  |  |  |
|   |              |               |              |               |                          | Interest rate correlation       | n.a          | n.a           | n.a          | n.a           |             |  |  |  |
|   |              |               |              |               |                          | IR/INF correlation              | 0.5          | 0.5           | 0.5          | 0.5           |             |  |  |  |
|   |              |               |              |               | Present value techniques | Reset spread (%)                | 2%           | 2%            | 2%           | 2%            |             |  |  |  |
|   |              |               |              |               |                          | Prepayment rate (%)             | 5%           | 5%            | 10%          | 10%           |             |  |  |  |
|   |              |               |              |               |                          | Inflation rate (%)              | 3%           | 2%            | 4%           | 4%            |             |  |  |  |
| <b>FX</b>                                   |              |               |              |               |                          |                                 |              |               |              |               |             |  |  |  |
|   | 367          | 642           | 367          | 688           | Present value techniques | Inflation rate (%)              | 3%           | 2%            | 3%           | 3%            |             |  |  |  |

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|              |              |              |              |              |  |                            |     |     |      |       |
|--------------|--------------|--------------|--------------|--------------|--|----------------------------|-----|-----|------|-------|
| Credit       | 21           | 33           | 42           | 43           | Present value techniques                                 | Credit spread (bps)        | 3   | 0   | 347  | 1,596 |
|              |              |              |              |              |  | Implied correlation        | 0.7 | 0.7 | 1.0  | 1.0   |
| Equity       | 211          | 258          | 188          | 208          | Option pricing model                                     | Jump rate (%)              | 12% | 12% | 12%  | 12%   |
|              |              |              |              |              |  | Price (%)                  | n.a | 99% | n.a  | 99%   |
|              |              |              |              |              |  | Equity volatility (%)      | 6%  | 0%  | 140% | 140%  |
|              |              |              |              |              |  | Equity/Equity correlation  | 0.5 | 0.1 | 1.0  | 1.0   |
|              |              |              |              |              |  | Equity/FX correlation      | 0.9 | 0.9 | 0.8  | 0.6   |
|              |              |              |              |              |  | Dividend yield (%)         | 0   | 0%  | 24%  | 13%   |
| Other        | 3            |              |              | 1            | Option pricing model                                     | Commodity volatility (%)   | 11% | 13% | 43%  | 55%   |
|              |              |              |              |              |  | Com/Com correlation        | 0.3 | 0.0 | 0.9  | 0.9   |
|              |              |              |              |              |  | Com/FX correlation         | 0.9 | 0.5 | 0.8  | 0.0   |
|              |              |              |              |              |  | Available for sale         |     |     |      |       |
| Debt         | 38           | 55           |              |              | Price based Present value techniques Credit spread (bps) | Price (%)                  | 65% | 0%  | 97%  | 99%   |
|              |              |              |              |              |  | Weighted average life (yr) | 1.5 | 1.6 | 3.1  | 3.2   |
| Equity       | 462          | 466          |              |              | Discounted cash flow                                     | Financial Statements       | n.a | n.a | n.a  | n.a   |
|              |              |              |              |              |  | Observable market          |     |     |      |       |
|              |              |              |              |              |  | Multiplier method factors  | n.a | n.a | n.a  | n.a   |
|              |              |              |              |              | Comparable transactions                                  |                            | n.a | n.a | n.a  | n.a   |
| <b>Total</b> | <b>2,221</b> | <b>2,456</b> | <b>1,202</b> | <b>1,525</b> |  |                            |     |     |      |       |

Further information on equity securities, credit spreads, volatility, correlation and interest rates is disclosed in the 2016 ING Group Form 20-F in Note 37 Fair value of assets and liabilities .



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***Sensitivity analysis of unobservable inputs (Level 3)***

Where the fair value of a financial instrument is determined using inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument the actual value of those inputs at the balance date may be drawn from a range of reasonably possible alternatives. In line with market practice the upper and lower bounds of the range of alternative input values reflect a 90% level of valuation certainty. The actual levels chosen for the unobservable inputs in preparing the financial statements are consistent with the valuation methodology used for fair valued financial instruments.

If ING had used input values from the upper and lower bound of this range of reasonable possible alternative input values when valuing these instruments as of 30 June 2017, then the impact would have been higher or lower as indicated below. The purpose of this disclosure is to present the possible impact of a change of unobservable inputs in the fair value of financial instruments where unobservable inputs are significant to the valuation.

As ING has chosen to apply a 90% confidence level already for its IFRS valuation of fair valued financial instruments as of end of 2014, the downward valuation uncertainty has become immaterial, whereas the potential upward valuation uncertainty, reflecting a potential profit, has increased.

For more detail on the valuation of fair valued instruments, refer to the 2016 ING Form 20-F, section Risk Management Market risk , paragraph Fair values of financial assets and liabilities.

Valuation uncertainty in practice is measured and managed per exposure to individual valuation inputs (i.e. risk factors) at portfolio level across different product categories. Where the disclosure looks at individual Level 3 inputs the actual valuation adjustments may also reflect the benefits of portfolio offsets.

Because of the approach taken, the valuation uncertainty in the table below is broken down by related risk class rather than by product.

In reality some valuation inputs are interrelated and it would be unlikely that all unobservable inputs would ever be simultaneously at the limits of their respective ranges of reasonably possible alternatives. Therefore it can be assumed that the estimates in the table below show a greater fair value uncertainty than the realistic position at period end.

Also, this disclosure does not attempt to indicate or predict future fair value movement. The numbers in isolation give limited information as in most cases these Level 3 assets and liabilities should be seen in combination with other instruments (for example as a hedge) that are classified as Level 2.

**Sensitivity analysis of Level 3 instruments**

|   |   |
|---|---|
| Positive fair value movements from using reasonable possible alternatives | Negative fair value movements from using reasonable possible alternatives |
|---|---|

|  | <b>30 June<br/>2017</b> | 31 December<br>2016 | <b>30 June<br/>2017</b> | 31 December<br>2016 |
|--|-------------------------|---------------------|-------------------------|---------------------|
| <b>Fair value through profit or loss</b>                                 |                         |                     |                         |                     |
| Equity (equity derivatives, structured notes)                            | 146                     | 262                 |                         |                     |
| Interest rates (Rates derivatives, FX derivatives)                       | 69                      | 80                  |                         |                     |
| Credit (Debt securities, Loans, structured notes,<br>credit derivatives) | 27                      | 33                  |                         |                     |
| <b>Available-for-sale</b>  |                         |                     |                         |                     |
| Equity   | 10                      | 8                   | 16                      | 14                  |
| Debt   | 2                       | 2                   |                         |                     |
|  | 254                     | 385                 | 16                      | 14                  |

## 22 Companies and business acquired and divested

### *Acquisitions*

There were no material acquisitions in the first six months of 2017 and 2016.

### *Divestments*

#### **Divestments in the first six months of 2017**

There were no material divestments of consolidated companies, in the first six months of 2017 and 2016.

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Additional notes to the Condensed consolidated interim accounts - continued

**23 Related parties**

In the normal course of business, ING Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ING Group include, among others, its subsidiaries, joint ventures, associates, key management personnel and various defined benefit and contribution plans. Transactions between related parties include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. Transactions with related parties are disclosed in Note 49 "Related parties" in the 2016 ING Group Form 20-F.

**24 Subsequent events**

There were no subsequent events

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**Important legal information**

ING Group's Form 20-F is prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ( IFRS-IASB ).

In preparing the financial information in this document, except as described otherwise, the same accounting principles are applied as in the 2016 ING Group Form 20-F.

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

**Cautionary Statement with Forward- Looking Statements**

Projects may be subject to regulatory approvals. Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) potential consequences of European Union countries leaving the European Union or a break-up of the euro, (4) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness, (5) changes affecting interest rate levels, (6) changes affecting currency exchange rates, (7) changes in investor and customer

behaviour, (8) changes in general competitive factors, (9) changes in laws and regulations and the interpretation and application thereof, (10) geopolitical risks and policies and actions of governmental and regulatory authorities, (11) changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof, (12) conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure, (13) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (14) changes in credit ratings, (15) the outcome of current and future legal and regulatory proceedings, (16) ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and (17) the other risks and uncertainties detailed in the most recent annual report of ING Groep N.V. (including the Risk Factors contained therein) and ING's more recent disclosures, including press releases, which are available on [www.ING.com](http://www.ING.com). Many of those factors are beyond ING's control.

Any forward looking statements made by or on behalf of ING speak only as of the date they are made, and ING assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in the United States or any other jurisdiction..

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ING Groep N.V.  
(Registrant)

By /s/ J.V. Timmermans  
Title: CFO ING Groep N.V.

By /s/ N.R.Tambach  
Title: Group Controller ING

Date 1 August 2017