

ING GROEP NV  
Form 6-K  
August 02, 2017  
Table of Contents

**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**

Edgar Filing: ING GROEP NV - Form 6-K

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of ING Groep N.V. and shall be a part thereof from the date on which this Report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

**Table of Contents**

Contents

**Interim report**

<u>Interim report</u>	2
<b>Condensed consolidated interim accounts</b>	
<u>Condensed consolidated statement of financial position</u>	7
<u>Condensed consolidated statement of profit or loss</u>	8
<u>Condensed consolidated statement of comprehensive income</u>	10
<u>Condensed consolidated statement of changes in equity</u>	11
<u>Condensed consolidated statement of cash flows</u>	12
<u>Notes to the Condensed consolidated interim accounts</u>	14
<u>Notes to the accounting policies</u>	
1 <u>Accounting policies</u>	15
<u>Notes to the Condensed consolidated statement of financial position</u>	
2 <u>Financial assets at fair value through profit or loss</u>	17
3 <u>Investments</u>	17
4 <u>Loans and advances to customers</u>	19
5 <u>Intangible assets</u>	19
6 <u>Other assets</u>	20
7 <u>Financial liabilities at fair value through profit or loss</u>	20
8 <u>Other liabilities</u>	21
9 <u>Subordinated loans and Debt securities in issue</u>	21
10 <u>Equity</u>	22
<u>Notes to the Condensed consolidated statement of profit or loss</u>	
11 <u>Net Interest Income</u>	23
12 <u>Valuation results and net trading income</u>	23
13 <u>Investment income</u>	23
14 <u>Other income</u>	23
15 <u>Staff expenses</u>	24
16 <u>Other operating expenses</u>	24
17 <u>Discontinued operations</u>	25
18 <u>Earnings per ordinary share</u>	26
19 <u>Dividend per ordinary share</u>	26
<u>Segment reporting</u>	
20 <u>Segments</u>	27
<u>Additional notes to the Condensed consolidated interim accounts</u>	
21 <u>Fair value of financial assets and liabilities</u>	32
22 <u>Consolidated companies and businesses acquired and divested</u>	39
23 <u>Related parties</u>	40
24 <u>Subsequent events</u>	40

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited 1

**Table of Contents**

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**

	<b>Total ING Group</b>		<b>of which: Divestments / Special items</b>		<b>of which: Insurance Other</b>		<b>of which: Underlying Banking</b>	
6 month period (1 January to 30 June)	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
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>

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

2

---

**Table of Contents**

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.

---

**Table of Contents**

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.

---

**Table of Contents**

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.

## **Table of Contents**

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.

**Table of Contents**

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 10</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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

7

**Table of Contents**

Condensed consolidated statement of  
profit or loss

6 month period in EUR million	1 January to 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 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.

**Table of Contents**

Condensed consolidated statement of profit or loss - continued

6 month period 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.

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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

9

**Table of Contents**

Condensed consolidated statement of comprehensive  
income

6 month period 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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

10

**Table of Contents**

## Condensed consolidated statement of changes in equity

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Share- holders equity (parent)	Non- controlling 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 investments and other revaluations		108		108	5	103
Realised gains/losses transferred to the 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 asset/liability		10		10		10
Exchange rate differences and other		459		459	23	436
Share of other comprehensive income of associates and joint ventures and other income		94	91	3		3
<b>Total amount recognised directly in other 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 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 and share premium	Other reserves	Retained earnings	Share- holders equity (parent)	Non- controlling interests	Total equity
Balance as at 1 January 2016	16,982	5,759	22,231	44,972	638	45,610

Edgar Filing: ING GROEP NV - Form 6-K

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>

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

11

**Table of Contents**

Condensed consolidated statement of cash flows

6 month period in EUR million		<b>1 January to 30 June</b>	
		<b>2017</b>	<b>2016</b>
<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>

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

12

**Table of Contents**

Condensed consolidated statement of cash flows - continued

6 month period 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 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



Edgar Filing: ING GROEP NV - Form 6-K

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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

13

## **Table of Contents**

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 ).

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

14

**Table of Contents**

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.

## **Table of Contents**

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

**Table of Contents**

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 2017</b>	<b>31 December 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**



Edgar Filing: ING GROEP NV - Form 6-K

	<b>30 June 2017</b>	31 December 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.

**Table of Contents**

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 2017</b>	<b>31 December 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 investments		Held-to-maturity investments		Loans and advances to customers		Loans and advances to banks		Total	
	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Government bonds	36,491	41,985	8,328	6,688	835	858			45,654	49,531
Sub-sovereign, Supranationals and 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 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.

**Table of Contents**

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 2017</b>	31 December 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 period ended 30 June 2017</b>	year ended 31 December 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 2017</b>	<b>31 December 2016</b>
Goodwill	868	903
Software	615	571
Other	8	10
	<b>1,491</b>	<b>1,484</b>

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

19

**Table of Contents**

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 2017</b>	<b>31 December 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 2017</b>	<b>31 December 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 2017</b>	31 December 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.

**Table of Contents**

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 2017</b>	31 December 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.

**Table of Contents**

Notes to the Condensed consolidated statement of financial position - continued

**10 Equity**

<b>Total equity</b>	<b>30 June 2017</b>	31 December 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>

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

22

**Table of Contents**

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.

**Table of Contents**

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>

**Table of Contents**

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 .

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

25



**Table of Contents**

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 (in EUR)	Total (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.

## **Table of Contents**

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.

**Table of Contents**

Segment reporting - continued

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

<b>1 January to 30 June 2017</b>	<b>ING Bank N.V.</b>	<b>Other Banking<sup>1</sup></b>	<b>Total Banking</b>	<b>Legacy 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- Controlling 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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

28

**Table of Contents**

Segment reporting - continued

**ING Group Total  
6 month period**

<b>1 January to 30 June 2016</b>	ING Bank N.V.	Other Banking <sup>1</sup>	Total Banking	Legacy 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- Controlling interests	Net 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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

29



**Table of Contents**

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 Netherlands</b>	<b>Retail Belgium</b>	<b>Retail Germany</b>	<b>Retail Other</b>	<b>Wholesale Banking</b>	<b>Corporate Line Banking</b>	<b>Total 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 Netherlands</b>	<b>Retail Belgium</b>	<b>Retail Germany</b>	<b>Retail Other</b>	<b>Wholesale Banking</b>	<b>Corporate Line Banking</b>	<b>Total 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>

Edgar Filing: ING GROEP NV - Form 6-K

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>

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

30

**Table of Contents**

Segment reporting - continued

**Geographical segments Banking**

6 month period

1 January to 30 June 2017						Wholesale Banking Rest of		Total Banking
	Netherlands	Belgium	Germany	Other Challenger	Growth 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 Banking Rest of		Total Banking
	Netherlands	Belgium	Germany	Other Challenger	Growth 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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

31

**Table of Contents**

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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

32

---

**Table of Contents**

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***

## Edgar Filing: ING GROEP NV - Form 6-K

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 .

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

33



**Table of Contents**

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.

**Table of Contents**

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.

**Table of Contents**

Additional notes to the Condensed consolidated interim accounts - continued

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

	Held at balance sheet date		Derecognised during the period		Total	
	6 month period ended	year ended	6 month period ended	year ended	6 month period ended	year ended
	30 June	31 December	30 June	31 December	30 June	31 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 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 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.

**Table of Contents**

Additional notes to the Condensed consolidated interim accounts - continued

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.

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

37

**Table of Contents**

Additional notes to the Condensed consolidated interim accounts - continued

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

					Valuation techniques	Significant unobservable inputs	Lower range		Upper range	
	Assets		Liabilities				30 June 2017	31 December 2016	30 June 2017	31 December 2016
	2017	2016	2017	2016			2017	2016	2017	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%

Edgar Filing: ING GROEP NV - Form 6-K

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
Other	3			1	Option pricing model	Dividend yield (%)	0	0%	24%	13%
						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 .



**Table of Contents**

Additional notes to the Condensed consolidated interim accounts - continued

***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 2017</b>	31 December 2016	<b>30 June 2017</b>	31 December 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, 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.

**Table of Contents**

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

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

40

---

**Table of Contents**

**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..

[www.ing.com](http://www.ing.com)

ING Group Report on Form 6-K for the period ended 30 June 2017 - Unaudited

41

Table of Contents

**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