ING GROEP NV
Form 20-F/A
March 20, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended 31 December 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14642

ING GROEP N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

(Jurisdiction of incorporation or organisation)

ING Groep N.V.

Bijlmerplein 888

1102 MG Amsterdam

P.O. Box 1800, 1000 BV Amsterdam

The Netherlands

(Address of principal executive offices)

Norman Tambach

Telephone: +31 20 576 6160

E-mail: Norman.Tambach@ing.com

Bijlmerplein 888

1102 MG Amsterdam

The Netherlands

(Name; Telephone, Email and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange
Ordinary Shares, nominal value EUR 0.01 per Ordinary Share*	New York Stock Exchange
6.20% ING Perpetual Debt Securities	New York Stock Exchange
6.125% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, nominal value EUR 0.01 per Ordinary Share	3,878,483,623

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes No

* This requirement does not currently apply to the registrant.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (this Amendment) to the annual report on Form 20-F for the fiscal year ended December 31, 2016, filed by ING Groep N.V. (we) with the Securities and Exchange Commission on March 16, 2017 (the Annual Report on Form 20-F), is being filed solely to correct clerical errors, as a result of which (a) an inaccurate version of the report of KPMG Accountants N.V., omitting a paragraph and including typographical errors, was included in our Annual Report on Form 20-F and (b) the report of Ernst & Young Accountants LLP included in our Annual Report on Form 20-F reflected errors in the date and addressees of the report as well as a typographical error.

This Amendment speaks as of the date of the initial filing of our Annual Report on Form 20-F, which is March 16, 2017. Other than as set forth above, this Amendment does not, nor does it purport to, amend, update or restate any other information or disclosure included in our Annual Report on Form 20-F or reflect any events that have occurred after March 16, 2017.

As required by Rule 12b-15 of the Securities and Exchange Act of 1934, as amended, we are also filing or furnishing, as indicated therein, the certifications required under Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002, as exhibits to this Amendment.

Item 18. Consolidated Financial Statements
Reference is made to pages F-1 to F-240 included herein.

Item 19. Exhibits
The following exhibits are filed as part of this Annual Report:

Exhibit 1.1	Amended and Restated Articles of Association of ING Groep N.V., dated 26 July 2016 (incorporated by reference to ING Groep N.V. s Report on Form 6-K furnished on 6 January 2017)
Exhibit 2.1	Subordinated Indenture, dated 18 July 2002, between the Company and The Bank of New York, (incorporated by reference to Exhibit 2.1 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2002, File No. 1-14642 filed on 27 March 2003)
Exhibit 2.2	Third Supplemental Indenture, dated 28 October 2003, between the Company and The Bank of New York (incorporated by reference to Exhibit 2.4 of ING Groep N.V. s Annual Report on Form 20-F for the year ended 31 December 2003, File No. 1-14642 filed on 30 March 2004)
Exhibit 2.3	Fourth Supplemental Indenture, dated 26 September 2005, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.2 of ING Groep N.V. s Report on Form 6-K filed on 23 September 2005)
Exhibit 2.4	Sixth Supplemental Indenture, dated 13 June 2007, between the Company and The Bank of New York (incorporated by reference to Exhibit 4.1 of ING Groep N.V. s Report on Form 6-K filed on 12 June 2007)

Exhibit 2.5	First Supplemental Indenture between ING Groep N.V. and The Bank of New York Mellon, London Branch, as trustee, dated April 16, 2015, in respect of 6.000% Perpetual Additional Tier 1 Contingent Convertible Capital Securities (incorporated by reference to Exhibit 4.2 of ING Groep N.V. s Report on Form 6-K filed on 16 April 2015)
Exhibit 2.6	Second Supplemental Indenture between ING Groep N.V. and The Bank of New York Mellon, London Branch, as trustee, dated April 16, 2015, in respect of 6.500% Perpetual Additional Tier 1 Contingent Convertible Capital Securities (incorporated by reference to Exhibit 4.3 of ING Groep N.V. s Report on Form 6-K filed on 16 April 2015)

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Exhibit 7*	Statement regarding Computation of Ratio of Earnings to Fixed Charges
Exhibit 8*	List of Subsidiaries of ING Groep N.V.
Exhibit 12.1	Certification of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
Exhibit 12.2	Certification of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 13.1	Certification of the Registrant s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 13.2	Certification of the Registrant s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 15.1*	Consent of Ernst & Young Accountants
Exhibit 15.2*	Consent of KPMG Accountants

* Previously filed
Filed herewith
Furnished herewith

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SIGNATURE

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report on its behalf.

ING Groep N.V.

(Registrant)

By: /s/ P. Flynn

P. Flynn

Chief Financial Officer

Date: 20 March 2017

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Report of independent registered

public accounting firm

To: the Supervisory Board and shareholders of ING Groep N.V.

We have audited the accompanying consolidated statement of financial position of ING Groep N.V. and subsidiaries as of 31 December 2016, and the related consolidated statements of profit and loss, comprehensive income, cash flows and changes in equity for the year ended 31 December 2016. These consolidated financial statements are the responsibility of ING Groep N.V. s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ING Groep N.V. and subsidiaries as of December 31, 2016 and the results of their operations and their cash flows for the year ended 31 December 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited the adjustments described in Note 1a and 1b that were applied to the 2015 and 2014 consolidated financial statements to retrospectively reflect the change in accounting for the offsetting of financial assets and financial liabilities and the changes in presentation of the consolidated financial statements and related notes. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 and 2014 consolidated financial statements of ING Groep N.V. and subsidiaries other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 and 2014 consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ING Groep N.V. s internal control over financial reporting as of 31 December 2016, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated 13 March 2017 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands

13 March 2017

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Report of independent registered

public accounting firm

To: the Supervisory Board and shareholders of ING Groep N.V.

We have audited, before the effects of the adjustments described in 1a and 1b of note 2.1.1 Notes to the accounting policies that were applied to the 2015 and 2014 consolidated financial statements to retrospectively reflect the change in accounting for offsetting of financial assets and financial liabilities and the changes in presentation of the consolidated annual accounts and related notes, the accompanying consolidated statement of financial position of ING Groep N.V. and subsidiaries as of 31 December 2015 and 31 December 2014, and the related consolidated profit or loss, consolidated statements of comprehensive income, cash flows and changes in equity for the years then ended (the 2015 and 2014 financial statements before the effects of the adjustments described in 1a and 1b of note 2.1.1 Notes to the accounting policies that were applied to the 2015 and 2014 consolidated financial statements to retrospectively reflect the change in accounting for offsetting of financial assets and financial liabilities and the changes in presentation of the consolidated annual accounts and related notes are not presented herein). These consolidated financial statements are the responsibility of ING Groep N.V. s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, before the effects of the adjustments described in 1a and 1b of note 2.1.1 Notes to the accounting policies that were applied to the 2015 and 2014 consolidated financial statements to retrospectively reflect the change in accounting for offsetting of financial assets and financial liabilities and the changes in presentation of the consolidated annual accounts and related notes, present fairly, in all material respects, the consolidated financial position of ING Groep N.V. and subsidiaries at 31 December 2015 and 31 December 2014 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We were not engaged to audit, review, or apply any procedures to the adjustments described in 1a and 1b of note 2.1.1 Notes to the accounting policies that were applied to the 2015 and 2014 consolidated financial statements to retrospectively reflect the change in accounting for offsetting of financial assets and financial liabilities and the changes in presentation of the consolidated annual accounts and related notes and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by KPMG Accountants N.V.

/s/ Ernst & Young Accountants LLP

Amsterdam, the Netherlands

29 February 2016

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Consolidated statement of financial position

As at 31 December

in EUR million	**2016**	2015	2014
Assets			
Cash and balances with central banks **2**	18,144	21,458	12,233
Loans and advances to banks **3**	28,858	29,988	37,119
Financial assets at fair value through profit or loss **4**			
trading assets	114,504	131,467	136,959
non-trading derivatives	2,490	3,347	4,384
designated as at fair value through profit or loss	5,099	3,234	2,756
Investments **5**			
available-for-sale	82,912	87,000	95,402
held-to-maturity	8,751	7,826	2,239
Loans and advances to customers[1] **6**	560,154	696,893	698,234
Investments in associates and joint ventures **7**	1,141	962	953
Property and equipment **8**	2,002	2,027	2,100
Intangible assets **9**	1,484	1,567	1,655
Current tax assets	314	322	289
Deferred tax assets **36**	1,641	1,783	2,389
Other assets **10**	14,722	12,261	12,612
Assets held for sale **11**		2,153	165,427
Total assets	**842,216**	**1,002,288**	**1,174,751**
Liabilities			
Deposits from banks **12**	31,964	33,813	29,999
Customer deposits[1] **13**	522,908	664,210	669,672
Financial liabilities at fair value through profit or loss **14**			
trading liabilities	83,167	88,807	97,091
non-trading derivatives	3,541	4,257	6,040
designated as at fair value through profit or loss	12,266	12,616	13,551
Current tax liabilities	546	590	450
Deferred tax liabilities **36**	624	589	795
Provisions **15**	2,028	964	1,017
Other liabilities **16**	16,852	13,132	13,919
Debt securities in issue **17**	103,234	121,289	126,352
Subordinated loans **18**	17,223	16,411	18,158
Liabilities held for sale			142,106
Total liabilities	**794,353**	**956,678**	**1,119,150**
Equity 19			

Share capital and share premium	16,989	16,982	16,971
Other reserves	5,897	5,759	11,213
Retained earnings	24,371	22,231	19,370
Shareholders equity (parent)	**47,257**	**44,972**	**47,554**
Non-controlling interests	606	638	8,047
Total equity	**47,863**	**45,610**	**55,601**
Total liabilities and equity	**842,216**	**1,002,288**	**1,174,751**

1 Loans and advances to customers and Customer deposits, as at 31 December 2015 and 2014, are adjusted as a result of a change in accounting policies. Reference is made to Note 1 Accounting policies Changes in accounting policies in 2016. Deferred tax assets and Deferred tax liabilities as at 31 December 2015 and 2014 are adjusted.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.
Reference is made to Note 1 Accounting policies for information on Changes in presentation of the Consolidated annual accounts and related notes.

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Consolidated statement of profit or loss

for the years ended 31 December

in EUR million	**2016**	**2016**	2015	2015	2014	2014
Continuing operations						
Interest income	44,182		46,321		48,169	
Interest expense	30,941		33,760		35,865	
Net interest income **20**		13,241		12,561		12,304
Commission income	3,581		3,411		3,297	
Commission expense	1,148		1,093		1,004	
Net commission income **21**		2,433		2,318		2,293
Valuation results and net trading income **22**		1,545		2,445		49
Investment income **23**		421		123		236
Share of result from associates and joint ventures **7**		88		492		138
Result on disposal of group companies **24**		1		2		195
Other income **25**		173		66		97
Total income		**17,902**		**18,007**		**15,214**
Addition to loan loss provisions **6**		974		1,347		1,594
Staff expenses **26**		5,039		4,972		5,788
Other operating expenses **27**		5,575		4,354		4,471
Total expenses		**11,588**		**10,673**		**11,853**
Result before tax from continuing operations		**6,314**		**7,334**		**3,361**
Taxation **36**		1,705		1,924		859
Net result from continuing operations		**4,609**		**5,410**		**2,502**
Discontinued operations 28						
Net result from discontinued operations				800		667
Net result from classification as discontinued operations				3		470
Net result from disposal of discontinued operations		441		879		1,572
Total net result from discontinued operations		**441**		**76**		**1,375**
Net result (before non-controlling interests)		**5,050**		**5,334**		**1,127**
Net result attributable to Non-controlling interests		75		408		164
Net result attributable to Equityholders of the parent		**4,975**		**4,926**		**963**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 Accounting policies for information on Changes in presentation of the Consolidated annual accounts and related notes.

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Consolidated statement of profit or loss - continued

in EUR million	**2016**	2015	2014
Net result attributable to Non-controlling interests			
from continuing operations	75	69	79
from discontinued operations		339	85
	75	**408**	**164**
Net result attributable to Equityholders of the parent			
from continuing operations	4,534	5,341	2,423
from discontinued operations	441	415	1,460
	4,975	**4,926**	**963**

in EUR	**2016**	2015	2014
Earnings per ordinary share 29			
Basic earnings per ordinary share	1.28	1.28	0.06
Diluted earnings per ordinary share	1.28	1.27	0.06
Earnings per ordinary share from continuing operations 29			
Basic earnings per ordinary share from continuing operations	1.17	1.39	0.44
Diluted earnings per ordinary share from continuing operations	1.17	1.38	0.43
Dividend per ordinary share **30**	0.66	0.65	0.12

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 1 Accounting policies for information on Changes in presentation of the Consolidated annual accounts and related notes.

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Consolidated statement of

comprehensive income

for the years ended 31 December

in EUR million	**2016**	2015	2014
Net result (before non-controlling interests)	5,050	5,334	1,127
Other comprehensive income			
Items that will not be reclassified to the statement of profit or loss:			
Unrealised revaluations property in own use	5	35	30
Remeasurement of the net defined benefit asset/liability **35**	65	24	289
Items that may subsequently be reclassified to the statement of profit or loss:			
Unrealised revaluations available-for-sale investments and other revaluations	61	414	6,981
Realised gains/losses transferred to the statement of profit or loss	146	92	139
Changes in cash flow hedge reserve	77	724	2,394
Transfer to insurance liabilities/DAC		601	2,146
Exchange rate differences	254	1,697	2,374
Share of other comprehensive income of associates and joint ventures and other income	14	5	43
Total comprehensive income	**4,714**	**6,456**	**10,315**
Comprehensive income attributable to:			
Non-controlling interests		534	1,266
Equityholders of the parent	4,714	5,922	9,049
	4,714	**6,456**	**10,315**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Reference is made to Note 36 Taxation for the disclosure on the income tax effects on each component of the other comprehensive income.

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Consolidated statement of changes

in equity

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Shareholders equity (parent)	Non-controlling interests	Total equity
Balance as at 1 January 2016	16,982	5,759	22,231	44,972	638	45,610
Unrealised revaluations available-for-sale investments and other revaluations		80		80	19	61
Realised gains/losses transferred to the statement of profit or loss		146		146		146
Changes in cash flow hedge reserve		111		111	34	77
Unrealised revaluations property in own use		5		5		5
Remeasurement of the net defined benefit asset/liability **35**		65		65		65
Exchange rate differences		232		232	22	254
Share of other comprehensive income of associates and joint ventures and other income		251	265	14		14
Total amount recognised directly in other comprehensive income		**4**	**265**	**261**	**75**	**336**
Net result from continuing and discontinued operations		124	4,851	4,975	75	5,050
Total comprehensive income		**128**	**4,586**	**4,714**		**4,714**
Dividends **30**			2,521	2,521	32	2,553
Changes in treasury shares		10		10		10
Employee stock option and share plans	7		75	82		82
Changes in the composition of the group and other changes						
Balance as at 31 December 2016	**16,989**	**5,897**	**24,371**	**47,257**	**606**	**47,863**

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Changes in individual Reserve components are presented in Note 19 Equity .

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Consolidated statement of changes in equity - continued

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Shareholders equity (parent)	Non-controlling interests	Total equity
Balance as at 1 January 2015	16,971	11,213	19,370	47,554	8,047	55,601
Unrealised revaluations available-for-sale investments and other revaluations		528		528	114	414
Realised gains/losses transferred to the statement of profit or loss		94		94	2	92
Changes in cash flow hedge reserve		715		715	9	724
Unrealised revaluations property in own use		35		35		35
Remeasurement of the net defined benefit asset/liability **35**		34		34	10	24
Transfer to insurance liabilities/DAC		609		609	8	601
Exchange rate differences and other[1]		1,662		1,662	35	1,697
Share of other comprehensive income of associates and joint ventures		7		7	2	5
Total amount recognised directly in other comprehensive income		**996**		**996**	**126**	**1,122**
Net result from continuing and discontinued operations		131	4,795	4,926	408	5,334
Total comprehensive income		**1,127**	**4,795**	**5,922**	**534**	**6,456**
Impact of partial divestment of NN Group		1,499	258	1,757	3,030	1,273
Impact of deconsolidation of NN Group		5,345		5,345	10,768	16,113
Dividends **30**			1,393	1,393	118	1,511
Coupon on Undated subordinated notes issued by NN Group			19	19	15	34
Changes in treasury shares		28		28		28
Employee stock option and share plans	11		105	116	1	117
Changes in the composition of the group and other changes		235	369	134	73	207
Balance as at 31 December 2015	**16,982**	**5,759**	**22,231**	**44,972**	**638**	**45,610**

1 Exchange rate differences and other include the transfer of Revaluation reserves to Other reserves due to the partial sale of NN Group in February 2015.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Changes in individual Reserve components are presented in Note 19 Equity .

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Consolidated statement of changes in equity - continued

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Shareholders equity (parent)	Non-voting equity securities	Non-controlling interests	Total equity
Balance as at 1 January 2014	16,959	1,242	24,074	42,275	1,500	5,913	49,688
Unrealised revaluations available-for-sale investments and other revaluations		5,503		5,503		1,478	6,981
Realised gains/losses transferred to the statement of profit or loss		133		133		6	139
Changes in cash flow hedge reserve		2,001		2,001		393	2,394
Unrealised revaluations property in own use		30		30			30
Remeasurement of the net defined benefit asset/liability **35**		254		254		35	289
Transfer to insurance liabilities/DAC		1,428		1,428		718	2,146
Exchange rate differences and other		2,384		2,384		10	2,374
Share of other comprehensive income of associates and joint ventures		118	161	43			43
Total amount recognised in other comprehensive income		**7,925**	**161**	**8,086**		**1,102**	**9,188**
Net result from continuing and discontinued operations		83	880	963		164	1,127
Total comprehensive income		**8,008**	**1,041**	**9,049**		**1,266**	**10,315**
Impact of deconsolidation of Voya		87		87		5,100	5,013
Impact of IPO NN Group		1,924	1,327	3,251		5,397	2,146
Repayment and premium on non-voting equity securities[1]			750	750	1,500		2,250
Dividends						44	44
Impact of issuance Undated subordinated notes issued by NN Group						986	986
Changes in treasury shares		14		14			14
Employee stock option and share plans	12		87	99		13	112
Changes in the composition of the group and other changes		3,814	3,755	59		384	325

Balance as at 31 December 2014	**16,971**	**11,213**	**19,370**	**47,554**		**8,047**	**55,601**

1 In 2014, ING Group made the final repayment on the core Tier 1 securities of EUR 1.025 billion to the Dutch State. Including the final payment, the total amount paid to the Dutch State was EUR 13.5 billion, which contained EUR 10 billion in principal and EUR 3.5 billion in interest and premiums and resulted in an annualised return of 12.7% for the Dutch State.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

Changes in individual components are presented in Note 19 Equity .

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Consolidated statement of cash flows

for the years ended 31 December

in EUR million		**2016**	2015	2014
Cash flows from operating activities				
Result before tax[1]		6,753	7,403	2,231
Adjusted for:	depreciation	536	634	692
	change in provisions for insurance and investment contracts		1,499	3,527
	addition to loan loss provisions	974	1,347	1,594
	other[7]	1,084	1,310	2,363
Taxation paid		1,603	1,450	1,073
Changes in:	loans and advances to banks, not available on demand	1,162	6,766	3,360
	trading assets	16,956	5,458	23,676
	non-trading derivatives	1,812	303	3,022
	other financial assets at fair value through profit or loss	3,401	256	553
	loans and advances to customers[2]	29,656	23,030	13,901
	other assets	915	549	246
	deposits from banks, not payable on demand	342	5,179	3,353
	customer deposits[2]	23,493	17,970	19,015
	trading liabilities	5,634	8,276	23,855
	other financial liabilities at fair value through profit or loss	432	1,582	1,018
	provisions and other liabilities[7]	90	2,977	2,080
Net cash flow from/(used in) operating activities		**8,553**	**10,577**	**12,019**
Cash flows from investing activities				
Investments and advances:	associates and joint ventures	49	40	528
	available-for-sale investments	27,003	47,858	85,799
	held-to-maturity investments	1,731	3,457	315
	property and equipment	351	353	375
	assets subject to operating leases	64	37	34
	investments for risk of policyholders		2,417	20,598
	other investments	288	648	6,831
Disposals and redemptions:	group companies (including cash in company disposed[3])		6,926	1,216
	associates and joint ventures[4]	1,071	1,175	2,505
	available-for-sale investments[5]	32,540	52,675	69,444
	held-to-maturity investments	630	1,219	1,172
	property and equipment	63	74	55
	assets subject to operating leases	12	17	3
	investments for risk of policyholders		7,566	28,003

loans	1,295	3,201	1,167
other investments	9	5	5,928
Net cash flow from/(used in) investing activities 31	**6,134**	**4,196**	**7,419**

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Consolidated statement of cash flows - continued

in EUR million	**2016**	2015	2014
Net cash flow from/(used in) operating activities	**8,553**	**10,577**	**12,019**
Net cash flow from/(used in) investing activities 31	**6,134**	**4,196**	**7,419**
Cash flows from financing activities			
Proceeds from debt securities	106,174	139,424	143,628
Repayments of debt securities	123,748	147,337	149,604
Proceeds from issuance of subordinated loans	2,070	3,159	4,211
Repayments of subordinated loans[6]	1,042	6,092	3,367
Repayment and premium paid on non-voting equity securities			2,250
Purchase/sale of treasury shares	10	34	14
Proceeds from NN Group divestments and related transactions		1,040	2,733
Dividends paid **30**	2,521	1,393	
Net cash flow from/(used in) financing activities	**19,057**	**11,165**	**4,663**
Net cash flow	**4,370**	**3,608**	**63**
Cash and cash equivalents at beginning of year	20,379	17,113	17,180
Effect of exchange rate changes on cash and cash equivalents	155	342	4
Cash and cash equivalents at end of year 32	**16,164**	**20,379**	**17,113**

1 Result before tax includes results from continuing operations of EUR 6,314 million (2015: EUR 7,334 million; 2014: EUR 3,361 million) as well as results from discontinued operations of EUR 439 million (2015: EUR 69 million; 2014: EUR 1,130 million).

2 Changes in cash flows of Loans and advances to customers and Customer deposits are not impacted by the change in accounting policies, as described in Note 1 Accounting policies Changes in accounting policies in 2016, on the basis that the change in policy does not comprise a change in actual cash flows for the respective periods.

3 In 2015, Disposals and redemptions group companies included EUR 7,975 million and EUR 997 million related to cash and cash equivalents of NN Group and proceeds from the sale of shares of NN Group resulting in loss of control at the end of May 2015 respectively. (2014: EUR 950 million proceeds from the sale of shares of Voya which resulted in loss of control in the first quarter of 2014).

4 Disposals and redemptions associates and joint ventures includes EUR 1,016 million proceeds on the further sale of NN Group shares in January 2016 resulting in loss of significant influence over NN Group (2015: EUR 995 million proceeds on the further sale of NN Group shares in September 2015; 2014: EUR 1,940 million proceeds from the sale of Voya shares in September and November 2014).

5 Disposals and redemptions available-for-sale investments includes EUR 1,375 million proceeds on the divestment of the remaining shareholding in NN Group in April 2016.

6 Included in Repayment of 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.

7 The defined contribution payment for pension plans was previously presented in Adjusted for: other and is now presented in provisions and other liabilities . Comparatives have been adjusted accordingly.

As at 31 December 2016, Cash and cash equivalents includes cash and balances with central banks of EUR 18,144 million (2015: EUR 21,458 million; 2014: EUR 12,233 million). The decrease in cash and balances with central banks is as a result of the lowering of excess liquidity and negative interest rates. Reference is made to Note 32 Cash and cash equivalents .

Comparison of the Consolidated cash flow statements between 2016, 2015 and 2014 is impacted by NN Group. Included in the 2015 and 2014 cash flow statements respectively, are the NN Group cash flows for five months until deconsolidation at the end of May 2015 and NN Group cash flows for the year ended 31 December 2014, respectively.

References relate to the accompanying notes. These form an integral part of the Consolidated annual accounts.

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Consolidated statement of cash flows - continued

Interest and dividend received and paid

	2016	2015	2014
Interest received	44,470	46,884	51,301
Interest paid	31,702	34,306	38,001
	12,768	**12,578**	**13,300**
Dividend received	123	116	61
Dividend paid	2,521	1,393	

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

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Notes to the Consolidated financial statements

amounts in millions of euros, unless stated otherwise

2.1. Notes to the Consolidated financial statement

2.1.1 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 Consolidated annual accounts, as at and for the year ended 31 December 2016, comprise ING Groep N.V. (the Parent company) 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.

Authorisation of the Consolidated annual accounts

The ING Group Consolidated annual accounts, for the year ended 31 December 2016, were authorised for issue in accordance with a resolution of the Executive Board on 13 March 2017. The Executive Board may decide to amend the annual accounts as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the annual accounts, but may not amend these.

Basis of preparation of the Consolidated annual accounts

ING Group prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board for purposes of reporting with the U.S. Securities and Exchange Commission (SEC), including financial information contained in this Annual report on Form 20-F. The term IFRS-IASB is used to refer to International Financial Reporting Standards as issued by the International Accounting Standards Board, including the decisions ING Group made with regard to the options available under IFRS-IASB.

IFRS-IASB provides several options in accounting policies. The key areas in which IFRS-IASB allows accounting policy choices and the related ING accounting policy, are summarised as follows:

- ING s accounting policy for Real estate investments is fair value, with changes in fair value reflected immediately in the profit and loss account; and

- ING s accounting policy for Property for own use is fair value, with changes in fair value reflected in the revaluation reserve in equity (Other comprehensive income). A net negative revaluation on individual properties is reflected immediately in the profit and loss account.

ING Group s accounting policies under IFRS-IASB and its decision on the options available are included in the section Principles of valuation and determination of results below. Except for the options included above, the principles in section Principles of valuation and determination of results are IFRS-IASB and do not include other significant accounting policy choices made by ING. The accounting policies that are most significant to ING are included in section Critical accounting policies .

1 Accounting policies

a) Changes in accounting policies in 2016

ING Group has consistently applied its accounting policies to all periods presented in these Consolidated annual accounts. Other than the change in accounting policy related to Offsetting of financial assets and liabilities , as described below, there were no changes in accounting policies, effective from 1 January 2016, that materially impact ING Group.

Offsetting of financial assets and financial liabilities

IAS 32 Financial Instruments: Presentation prescribes that a financial asset and a financial liability shall be offset when there is a legally enforceable right to set off and in addition an intention to settle on a net basis simultaneously (IAS 32.42). ING has both the legally enforceable right (by contract) to set off the amounts under notional cash pooling arrangement as well as the intention to settle on a net basis. IFRS is principle based and does not prescribe how the intention to settle on a net basis is evidenced.

In April 2016, an Agenda Rejection Notice (ARN) was published by the IFRS Interpretations Committee (IFRIC) on balance sheet offsetting of notional Cash Pooling products. The issue in the ARN relates to the question whether certain cash pooling arrangements would meet the requirements for offsetting under IAS 32. The IFRIC provided further clarification that the transfer of balances into a netting account should occur at the period end to demonstrate an intention to settle on a net basis.

As a result of the ARN, which is applicable from 6 April 2016, ING has changed its accounting policy and practice, and therefore as a result performs physical transfers of cash balances of certain clients subject to cash pooling arrangements into a single netting account on a period end basis to evidence the intention to settle net. This change in accounting policy is accounted for retrospectively. Comparative amounts are adjusted accordingly with further information as set out below.

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Notes to the Consolidated financial statements - continued

Summary of impact of changes in accounting policies

The change in the accounting policy, as described above, has no impact on the Consolidated statements of profit or loss (including earnings and diluted earnings per ordinary share), statements of comprehensive income, statements of cash flows and the statements of changes in equity.

Comparative amounts in the Consolidated statements of financial position are impacted in the line items Loans and advances to customers, Total assets, Customer deposits and Total liabilities. These line items increase by EUR 163,464 million and EUR 185,801 million as at 31 December 2015 and 31 December 2014 respectively.

Reference is made to the Consolidated statement of financial position, Note 6 Loans and advances to customers , Note 13 Customer deposits , Note 34 Information on geographical areas , Note 37 Fair value of assets and liabilities , Note 39 Assets by contractual maturities , Note 40 Liabilities by maturity and Note 43 Offsetting financial assets and liabilities

b) Changes in presentation of the Consolidated annual accounts and related notes

Following further restructuring and deconsolidation of the insurance business in 2014 and 2015, ING Group revised its presentation of the Consolidated annual accounts to best present its core business and related results. Where relevant, comparative amounts are adjusted accordingly. The main changes in the presentation of the Consolidated annual accounts and related notes are as follows:

The primary statements and other terms used in these statements are renamed as follows:

The Consolidated balance sheet is renamed to Consolidated statement of financial position ;

The line item Amounts due from banks is renamed to Loans and advances to banks :

The line item Amounts due to banks is renamed to Deposits from banks ;

The line item Customer deposits and other funds on deposit is renamed to Customer deposits ;

The line item Minority interest is renamed to Non-controlling interest ;

The Consolidated profit and loss account is renamed to Consolidated statement of profit or loss ; and

The naming of income and expense line items, specifically related to Interest and Commission, were simplified for further clarification.

The Consolidated statement of financial position is changed as follows:

The order of line items presented is changed to present assets, liabilities and equity in order of liquidity;

The line item Real estate investments is now included in the line item Other assets and renamed to Investment properties ;

Current and deferred tax assets and liabilities are now separately presented (previously included in the line items Other assets and -liabilities);

Provisions , as previously included in the line item Other liabilities , are now separately presented;

The line item Subordinated loans includes the line item Other borrowed funds (previously separately presented);

The presentation of equity is changed to more granularly present the components of Shareholder s equity (parent) ; and

The asset line items Loans and advances to banks, Loans and advances to customers, and the liability line items Deposits from banks, Customer deposits, previously included amounts for Items to be settled. The Items to be settled amounts are now included in Other assets and Other liabilities respectively. On the basis of materiality, comparative amounts as at 31 December 2015 and 2014 have not been adjusted.

The Consolidated statement of profit or loss is changed as follows:

The order of line items presented is changed to present the components of Total income more in line with the core business of ING;

Valuation results on non-trading derivatives and Net trading income have been combined into one line;

Interest income on trading portfolio has been split into two lines: Interest income on trading derivatives and Interest income on other trading portfolio ; and

Interest expense on trading liabilities has been split into two lines: Interest expense on trading derivatives and Interest expense on other trading portfolio .

The Consolidated Statement of Cash Flows

The defined contribution payment for pension plans was previously presented in Adjusted for: other and is now presented in provisions and other liabilities . Comparatives have been adjusted accordingly.

c) Changes in IFRS effective in 2016

ING Group has applied a number of interpretations and amendments to standards for the first time for the annual periods beginning on or after 1 January 2016. Apart from the accounting policy change described above, the implementation of these changes had an insignificant impact on the consolidated financial position, net result, other comprehensive income and related disclosures of ING Group. ING Group has not early adopted any other standard, interpretation or amendment which has been issued, but is not yet effective.

d) Upcoming changes in IFRS after 2016

Changes to IFRS effective in 2017

On 1 January 2017, amendments to IFRS become effective. The implementation of these amendments will have no significant impact on ING Group s results or financial position.

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Notes to the Consolidated financial statements - continued

The list of upcoming changes to IFRS, which are applicable for ING Group:

- Amendments to IAS 12 Income Taxes : Recognition of Deferred Tax Assets for Unrealised;
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative ; and
- Annual improvement cycle 2014 2016

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued by the IASB in July 2014. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for 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. ING Group has decided to apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. ING has also chosen not to early adopt changes introduced by IFRS 9 for financial liabilities where movements in own credit for financial liabilities designated at fair value through profit or loss will be presented in other comprehensive income.

IFRS 9 Program governance and status

The structure of the IFRS 9 Program has been set-up based on the three pillars of the IFRS 9 standard: Classification and Measurement, Impairment, and Hedge Accounting. These central work streams consist of experts from Finance, Risk, Bank Treasury, Operations and the business. The IFRS 9 Technical Board consists of the heads of various Finance and Risk functions supporting the IFRS 9 Steering Committee by reviewing the interpretations of IFRS 9, the central guidance and instructions as prepared by the central work streams. The IFRS 9 Steering Committee is the key decision making body and consists of senior managers from Group Finance, Finance Operations, Retail Banking, Credit & Trading Risk, Risk Operations, Bank Treasury, Balance Sheet Risk Management, and Wholesale Banking Lending Services. In addition, an international IFRS 9 network has been created within ING to connect all countries with the central team to ensure consistency in implementation. The Management Banking Board and the Audit Committee are periodically updated about IFRS 9 and will be actively involved in future decisions.

The IFRS 9 Program is being implemented across functions, businesses and countries. The Group Accounting policies are being updated to align with IFRS 9. In 2017, parallel runs will be performed to ensure IFRS 9 readiness on 1 January 2018.

Classification and Measurement

IFRS 9 is built on a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Financial assets are therefore classified in their entirety rather than being subject to complex bifurcation requirements.

Two criteria are used to determine how financial assets should be classified and measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVPL):

1. The Business Model assessment is performed to determine how a portfolio of financial instruments as a whole is managed in order to classify it as Hold to Collect, Hold to Collect & Sell or Other Business Model; and

2. Contractual cash flow characteristics test is performed to determine whether the financial instruments give rise to cash flows that are analysed to check if they meet the Solely Payments of Principal and Interest (SPPI) test.

In 2016, the central team finalised a Business Model Blueprint based on the structure of the organisation and all the entities across the Group through discussions with various parties from the business, finance, and risk functions. The central team created and communicated the Business Model templates that were later tailored by local project teams to fit the local organisation as well as local business structure and product offering.

The central team also finalised an approach for performing the SPPI test and is in the process of performing a detailed analysis of the cash flow characteristics of our financial assets to detect whether they meet SPPI criteria. The SPPI test is performed on groups of assets that have a set of similar characteristics resulting in a homogenous population. Where testing is being performed at a local level, these local teams are trained and supported by the central team to ensure IFRS 9 is understood and implemented consistently across the Group.

The focus in 2017 will be finalising SPPI testing and formalising the governance to embed the changes brought by IFRS 9 into everyday business and financial reporting cycles to ensure ongoing compliance.

Impact

ING is currently assessing the impact of IFRS 9 on the classification and measurement of its financial assets. The classification and measurement of financial liabilities remains essentially the same as under IAS 39.

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Notes to the Consolidated financial statements - continued

Impairment

The expected credit loss (ECL) model is more forward-looking, than the incurred loss model under IAS 39. The ECL estimates are required to be unbiased, probability-weighted, and should include supportable information about past events, current conditions and forecasts of future economic conditions. The ECL should reflect multiple macroeconomic scenarios and include the time value of money. The ECL model applies to all on-balance financial assets accounted for at amortised cost and FVOCI such as loans and debt securities, as well as off-balance items such as certain loan commitments, financial guarantees, and undrawn revolving credit facilities.

Three stage approach

ING Group will apply the IFRS 9 three stage approach to measure expected credit losses:

Stage 1: 12 month ECL performing

Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for ECL associated with the probability of default events occurring within the next 12 months (12 month ECL).

Stage 2: Lifetime ECL under-performing

In the event of a significant increase in credit risk since initial recognition, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument (Lifetime ECL).

Stage 3: Lifetime ECL non-performing

Financial instruments that move into Stage 3 once credit impaired and purchases of credit impaired assets will require a Lifetime ECL provision.

Key concepts

ING Group aims to align the definition of credit impaired under IFRS 9 with the definition of default for prudential purposes and IAS 39 provisioning. ING Group considers a financial asset credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

ING Group established a framework for whether an asset has a significant increase in credit risk. Each asset will be assessed at the reporting date on the triggers for significant deterioration. ING Group intends to assess significant increase in credit risk using a delta in the lifetime default probability, forbearance status, watch list status, arrears and the more than 30 days past due backstop for stage 1 to stage 2 transfers. The stage allocation will be implemented in the central credit risk systems. In 2017 analyses on the movements between stages in both directions will be performed.

Measurement

The calculation of ECL will be based on ING Group s expected loss models (PD, LGD, EAD) currently used for regulatory capital, economic capital and collective provisions in the current IAS 39 framework. The IFRS 9 ECL model builds on existing IRB models, removes embedded prudential conservatism (such as PD floors), and includes forward-looking point in time information based on macroeconomic indicators, such as unemployment rates and GDP growth. The expected loss parameters will be determined by using historical statistical relationships and macroeconomic predictions. For the small portfolios outside the IRB approach, existing framework for loan loss provisions will be applied to set the parameters to measure credit risk. The lifetime risk assessment will be based on historical observations enriched with forward looking information. The data series will be shorter compared to the assets under the IRB approach.

To measure ECL, ING Group applies a PD x EAD x LGD approach. For stage 1 assets a forward-looking approach on a 12 month horizon will be applied. For stage 2 assets a lifetime view on the underlying parameters is taken. The Lifetime Expected Loss (LEL) is the discounted sum of the portions of lifetime losses related to default events within each time window of 12 months. For stage three the PD equals 100% and the LGD and EAD represent a lifetime view of the characteristics of facilities that are in default.

In 2016, enhanced data was collected from all source systems around within ING and significant progress has been made in the central implementation of IFRS 9 concepts in the central credit risk system. Furthermore, ING Group s asset portfolios are split into a number of sub-portfolios based on asset class and jurisdiction (e.g. mortgages in the Netherlands) in order to accurately measure ECL.

Impact

Based on the IFRS 9 ECL model a more volatile impairment charge is expected on the back of macroeconomic predictions. Financial assets with high risk long maturity profiles are expected to be subject to the biggest impact. A 12-month ECL will be recognized for all financial assets that have not had a significant increase in credit risk. IFRS 9 requires to calculate lifetime ECL for those assets with a significant increase in credit risk since initial recognition but are not credit impaired at the reporting date (i.e. Stage 2). This category did not exist under IAS 39. These factors combined with off-balance sheet items also in scope of the ECL model will likely result in an increase in the total level of impairment allowances.

ING expects that any negative effect on equity may be partly offset by the release of expected loss elements currently included in the calculation of regulatory capital (i.e. the regulatory shortfall). As the impact cannot be quantified reliably as of 31 December 2016, ING intends to quantify the potential impact of IFRS 9 no later than in the Annual Report 2017.

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Notes to the Consolidated financial statements - continued

Hedge Accounting

The IFRS 9 hedge accounting requirements aim to simplify general hedge accounting requirements. Furthermore, IFRS 9 aims to align hedge accounting more closely with risk management. All micro hedge accounting strategies as well as the macro cash flow hedge accounting are in scope of IFRS 9. Macro fair value hedging is not in scope of IFRS 9.

ING Group performed an assessment of the impact of the new hedge accounting requirements. Based on the outcome of this assessment, ING Group has made a decision to continue applying IAS 39 for hedge accounting including the application of the EU carve out as explicitly permitted by IFRS 9. ING Group will implement the revised hedge accounting disclosures as required by IFRS 7 Financial Instruments: Disclosures as per 1 January 2018.

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. IFRS 15 introduces a Five-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 customers 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.. Fees related to the effective yield of the loan which is presented in Interest income and bank guarantee fees are not in the scope of IFRS 15. ING is currently assessing the revenue stream commission income but no significant impact is expected.

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 will adopt the standard at its effective date and is currently assessing the impact of this standard.

Reconciliation between IFRS-EU and IFRS-IASB

The published 2015 Annual Accounts of ING Group are prepared in accordance with IFRS-EU. IFRS-EU refers to International Financial Reporting Standards (IFRS) 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. 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 shareholders equity and net result amounts compared to those indicated in this Annual Report on Form 20-F.

NN Group has fair value macro hedges for which ING Group applies fair value hedge accounting. As a result of this the impact sales of NN Group shares have on Equity and Result under IFRS-EU, differ from the impact these sales have on Equity and Result under IFRS-IASB. Other than for SEC reporting, ING Group intends to continue to prepare its Consolidated Annual Accounts under IFRS-EU.

A reconciliation between IFRS-EU and IFRS-IASB is included below.

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

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Notes to the Consolidated financial statements - continued

Reconciliation shareholders equity under IFRS-EU and IFRS-IASB

	Total Equity		
	2016	2015	2014
In accordance with IFRS-EU	49,793	47,832	51,344
Adjustment of the EU IAS 39 carve-out	3,472	3,883	5,117
Tax effect of the adjustment	936	1,023	1,327
Effect of adjustment after tax	2,536	2,860	3,790
Shareholders equity	47,257	44,972	47,554
Non-voting equity securities			
Non-controlling interests	606	638	8,047
In accordance with IFRS-IASB Total Equity	**47,863**	**45,610**	**55,601**

Reconciliation net result under IFRS-EU and IFRS-IASB

	Net result		
	2016	2015	2014
In accordance with IFRS-EU	4,651	4,010	1,251
Adjustment of the EU IAS 39 carve-out	411	1,205	419
Tax effect of the adjustment	87	289	131
Effect of adjustment after tax	324	916	288
In accordance with IFRS-IASB (attributable to the equityholders of the parent)	4,975	4,926	963
Non-controlling interests	75	408	164
In accordance with IFRS-IASB Total net result	**5,050**	**5,334**	**1,127**

e) Critical accounting policies

ING Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to loan loss provisions, goodwill impairments, provisions, and the determination of the fair values of financial assets and liabilities. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated financial statements and the information in section f) Principles of valuation and determination of results .

Loan loss provisions

Loan loss provisions are recognised based on an incurred loss model. Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) and is based on management s evaluation of the risk in the portfolio, current economic conditions, loss experience in recent years and credit, industry, geographical, and concentration trends. Changes in such judgements and analyses may lead to changes in the loan loss provisions over time.

The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, observable market prices, and expected net selling prices.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Current observable data may include changes in unemployment rates, property prices, and commodity prices. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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Notes to the Consolidated financial statements - continued

Goodwill impairment

ING assesses at each reporting period, whether there is an indication that an intangible asset may be impaired. Irrespective of whether there is an indication of impairment, intangible assets with an indefinite useful life, goodwill acquired in a business combination, and intangible assets not yet available for use, are tested annually for impairment. Goodwill is allocated to groups of CGUs (that is, the group of cash generating units or CGUs) for the purpose of impairment testing. These groups of CGUs represent the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment by comparing the carrying value of the group of CGUs to the best estimate of the recoverable amount of that group of CGUs. The carrying value is determined as the IFRS net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less costs of disposal and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. Impairment of goodwill, if applicable, is included in the statement of profit or loss in Other operating expenses.

The identification and measurement of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management s judgement and other information available prior to the issuance of the financial statements. Significantly different results can occur as circumstances change and additional information becomes known.

Provisions

A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is significant using a pre-tax discount rate. The recognition and measurement of provisions is an inherently uncertain process involving determining when a present obligation exists and estimates regarding amounts and timing of cash flows. Even in consultation with legal experts, the amount provisioned can remain sensitive to the assumptions used which may have a range of outcomes that is difficult to quantify.

Reorganisation provisions include employee termination benefits when the Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

A liability is recognised for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the liability is recognised only upon reaching the specified minimum threshold.

Fair values of financial assets and liabilities

All the financial assets and liabilities are recognised initially at fair value, whereas financial assets and liabilities classified as held-for-trading or designated at fair value through profit or loss and financial assets classified as available-for-sale are subsequently measured at fair value in financial statements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It uses the assumptions that market participants would use and takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability. Fair values of financial assets and liabilities are based on unadjusted quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed financial instruments. Where an exchange price is not available, quoted prices in an active market may be obtained from independent market vendors, brokers, or market makers. In general, positions are valued at the bid price for a long position and at the offer price for a short position or are valued at the price within the bid-offer spread that is most representative of fair value in the circumstances. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated. When markets are less liquid there may be a range of prices for the same security from different price sources, selecting the most appropriate price requires judgement and could result in different estimates of fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to various valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. ING maximises the use of market observable inputs and minimises the use of unobservable input in determining the fair value. It can be subjective dependent on the significance of the unobservable input to the overall valuation. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

When a group of financial assets and financial liabilities are managed on the basis of their net risk exposures, it measures the fair value of a group of financial assets and liabilities on net portfolio basis.

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Notes to the Consolidated financial statements - continued

To include credit risk in the fair value, ING applies both credit and debit valuation adjustments (CVA, DVA). Own issued debt and structured notes that are measured at fair value are adjusted for credit risk by means of a DVA. Additionally, derivatives valued at fair value are adjusted for credit risk by a CVA. The CVA is of a bilateral nature as both the credit risk on the counterparty as well as the credit risk on ING are included in the adjustment. All input data that is used in the determination of the CVA is based on market implied data. Additionally, wrong-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty deteriorates) and right-way risk (when exposure to a counterparty is increasing and the credit quality of that counterparty improves) are taken into account in the measurement of the valuation adjustment. ING applies an additional funding valuation adjustment (FVA) based on the market price of funding liquidity and is applied to the uncollateralised derivatives.

Valuation techniques are subjective in nature and significant judgement is involved in establishing fair values for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the statement of profit or loss. Price testing is performed to minimise the potential risks for economic losses due to incorrect or misused models.

Reference is made to Note 37 Fair value of assets and liabilities and the section Risk management Market risk , paragraph Fair values of financial assets and liabilities for the basis of the determination of the fair value of financial instruments and related sensitivities.

f) Principles of valuation and determination of results

Consolidation

ING Group (the Group) comprises ING Groep N.V. (the Parent Company), ING Bank N.V. and all other subsidiaries. The consolidated financial statements of ING Group comprise the accounts of ING Groep N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:

- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

Control exists if ING Group is exposed to variable returns and having the ability to affect those returns through power over the investee.

A list of principal subsidiaries is included in Note 47 Principal subsidiaries .

A list containing the information referred to in Section 379 (1), Book 2 of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2 of the Dutch Civil Code.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity.

For interests in investment vehicles, the existence of control is determined taking into account both ING Group s financial interests for own risk and its role as investment manager.

The results of the operations and the net assets of subsidiaries are included in the statement of profit or loss and the statement of financial position from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

A subsidiary which ING Group has agreed to sell but is still legally owned by ING Group may still be controlled by ING Group at the balance sheet date and therefore, still be included in the consolidation. Such a subsidiary may be presented as a held for sale disposal group if certain conditions are met.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated to the extent that there is no impairment. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of ING Groep N.V.

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Notes to the Consolidated financial statements - continued

ING Groep N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital and reserves required by law. Additionally, certain Group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Use of estimates and assumptions

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

Segment reporting

A segment is a distinguishable component of the Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments monitored by management. A geographical area is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is ING Group s presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss, are reported as part of the fair value gain or loss. Non-monetary items are retranslated at the date fair value is determined. Exchange rate differences on non-monetary items measured at fair value through the revaluation reserve are included in the revaluation reserve in equity.

Exchange rate differences in the statement of profit or loss are generally included in Valuation results and net trading income. Reference is made to Note 22 Valuation results and net trading income , which discloses the amounts included in the statement of profit or loss. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned below, in Group companies relating to the disposals of group companies, any exchange rate difference deferred in equity is recognised in the statement of profit or loss in Result on disposal of group companies. Reference is also made to Note 19 Equity , which discloses the amounts included in the statement of profit or loss.

Group companies

The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each statement of financial position are translated at the closing rate at the date of that statement of financial position;
- Income and expenses included in each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in a separate component of equity.

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Notes to the Consolidated financial statements - continued

On consolidation, exchange rate differences arising from the translation of a monetary item that forms part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is sold, the corresponding exchange rate differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Recognition and derecognition of financial instruments

Recognition of financial assets

All purchases and sales of financial assets classified at fair value through profit or loss, held-to-maturity and available-for-sale that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recognised at trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which the Group receives or delivers the asset.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Realised gains and losses on financial assets

For financial assets at amortised cost, realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For available-for-sale financial assets, the accumulated fair value adjustments in other comprehensive income are included in the statement of profit or loss when the asset is disposed. For equity securities, the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

Recognition of financial liabilities

Financial liabilities are recognised on the date that the entity becomes a party to the contractual provisions of the instrument. Such contracts generally are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

Derecognition of financial liabilities

Financial liabilities removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss.

Classification of financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss include equity securities, debt securities, derivatives, loans and receivable, and other, and comprise the following sub-categories: trading assets, non-trading derivatives, and financial assets designated at fair value through profit or loss by management. Financial liabilities at fair value through profit or loss comprise the following sub-categories: trading liabilities, non-trading derivatives, and other financial liabilities designated at fair value through profit or loss by management. Trading liabilities include equity securities, debt securities, funds on deposit and derivatives.

A financial asset or financial liability is classified at fair value through profit or loss if acquired principally for the purpose of selling in the short term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Transaction costs on initial recognition are expensed as incurred. Interest income and expense from financial instruments is classified at fair value through profit or loss is recognised in Interest income and Valuation results and net trading income in the statement of profit or loss, using the effective interest method.

Dividend income from equity instruments classified at fair value through profit or loss is generally recognised in Investment income in the statement of profit or loss when the dividend has been declared. For derivatives reference is made to the Derivatives and hedge accounting section.

Notes to the Consolidated financial statements - continued

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale and are initially recognised at fair value plus transaction costs. Investment debt securities and loans quoted in active markets with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale financial assets.

Available-for-sale financial assets

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Interest income in the statement of profit or loss. Dividend income from equity instruments classified as available-for-sale is recognised in Investment income in the statement of profit or loss when the dividend has been declared. Unrealised gains and losses arising from changes in the fair value are recognised in equity and are recycled to the statement of profit or loss as Investment income when the asset is disposed. Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intent and ability to hold to maturity and which are designated by management as held-to-maturity assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from debt securities classified as held-to-maturity is recognised in Interest income in the statement of profit or loss using the effective interest method. Held-to-maturity investments include only debt securities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include Cash and balances with central banks, Loans and advances to banks, Loans and advances to customers, and Other assets and are reflected in these line items in the statement of financial position. Interest income from loans and receivables is recognised in Interest income in the statement of profit or loss using the effective interest method.

Credit risk management classification

Credit risk management disclosures are provided in the section Risk management Credit risk paragraph Credit risk categories . The relationship between credit risk classifications in that section and the consolidated statement of financial position classifications above is explained below:

Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and ING Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the statement of financial position classification Financial assets at fair value through profit or loss (trading assets and non-trading derivatives) and to securities financing;

Money market risk arises when ING Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the statement of financial position classifications Loans and advances to banks and Loans and advances to customers;

Lending risk arises when ING Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the statement of financial position classification Loans and advances to customers and off-balance sheet items e.g. obligations under financial guarantees and letters of credit;

Investment risk comprises the credit default and migration risk that is associated with ING Group s investment portfolio and mainly relates to the statement of financial position classification Investments (available-for-sale and held-to-maturity); and

Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until ING Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the statement of financial position as Financial assets at fair value through profit or loss (trading assets and non-trading derivatives) and Investments (available-for-sale and held-to-maturity).

Maximum credit risk exposure

The maximum credit risk exposure for items in the statement of financial position is generally the carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 44 Contingent liabilities and commitments for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure.

The manner in which ING Group manages credit risk and determines credit risk exposures for that purpose is explained in the section Risk management Credit risk paragraph Credit Risk Appetite and Concentration Risk Framework .

Notes to the Consolidated financial statements - continued

Financial liabilities at amortised cost

Financial liabilities at amortised cost include the following sub-categories: preference shares classified as debt, debt securities in issue, subordinated loans, and deposits from banks and customer deposits.

Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

If the Group purchases its own debt, it is removed from the statement of financial position, and the difference between the carrying amount of the liability and the consideration paid is included in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation to reflect revenue recognition principles.

Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair values are negative.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit or loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. An assessment is carried out when the Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction ING Group documents the relationship between hedging instruments and hedged items, its risk management objective, together with the methods selected to assess hedge effectiveness. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the statement of profit or loss, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the statement of profit or loss over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the statement of profit or loss only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are recycled to the statement of profit or loss in the periods in which the hedged item affects net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the statement of profit or loss.

Notes to the Consolidated financial statements - continued

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and the gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is disposed.

Non-trading derivatives that do not qualify for hedge accounting

Derivative instruments that are used by the Group as part of its risk management strategies, but which do not qualify for hedge accounting under ING Group s accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to the statement of profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount reported, in the statement of financial position when the Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Offsetting is applied to certain interest rate swaps for which the services of a central clearing house are used. Offsetting is also applied to certain clients subject to cash pooling arrangements where the intention to settle net is demonstrated via a physical transfer of cash balances into a single netting account on a period end basis.

Repurchase transactions and reverse repurchase transactions

Securities sold subject to repurchase agreements (repos) are retained in the consolidated financial statements. The counterparty liability is included in Deposits from banks, Subordinated loans, Customer deposits, or Trading, as appropriate.

Securities purchased under agreements to resell (reverse repos) are recognised as Loans and advances to customers, Loans and advances to banks, or Financial assets at fair value through profit or loss - Trading assets, as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the agreement using the effective interest method.

Impairments of financial assets at amortised cost

ING Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;

- The borrower has failed in the repayment of principal, interest, or fees and the payment failure has remained unsolved for a certain period;

- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;

- The credit obligation has been restructured for non-commercial reasons. ING Group has granted concessions, for economic or legal reasons relating to the borrower s financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and

- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by the Group s credit risk systems.

In certain circumstances ING grants borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities, and if possible, avoid default, foreclosure, or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as forbearance. In general, forbearance represents an impairment trigger under IFRS. In such cases, the net present value of the postponement and/or reduction of loan and/or interest payments is taken into account in the determination of the appropriate level of Loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date. The Group determines whether there has been a substantial modification using both quantitative and qualitative factors.

The Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

Notes to the Consolidated financial statements - continued

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account (Loan loss provision) and the amount of the loss is recognised in the statement of profit or loss under Addition to loan loss provision. If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a loss emergence period to default probabilities (also referred to as loss identification period). The loss emergence period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point in time at which those events are captured by the Group s credit risk systems. Accordingly, the application of the loss emergence period ensures that impairments that are incurred but not yet identified are adequately reflected in the Group s loan loss provision. Although the loss emergence periods are inherently uncertain, the Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises, and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the Group s account managers. Generally, the frequency increases in relation to the size of the borrower. Loss emergence periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor s credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the statement of profit or loss.

When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement of profit or loss.

In most Retail portfolios, ING Bank has a write-off policy that requires 100% provision for all retail exposure after two years (three years for mortgages) following the last default date.

Impairments on other debt instruments (Loans and held-to-maturity investments) are part of the loan loss provision as described above.

Impairment of available for sale financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Significant and prolonged are interpreted on a case-by-case basis for specific equity securities; generally 25% and six months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in net result is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

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Notes to the Consolidated financial statements - continued

Investments in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policymaking process; and
- Interchange of managerial personnel.

Joint ventures are entities over which the Group has joint control. Joint control is the contractually agreed sharing of control over an arrangement or entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control means that no party to the agreement is able to act unilaterally to control the activity of the entity. The parties to the agreement must act together to control the entity and therefore exercise the joint control.

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method of accounting.

The Group s investment in associates and joint ventures (net of any accumulated impairment loss) includes goodwill identified on acquisition. The Group s share of its associates and joint ventures post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Group s share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group s interest in the associates and joint ventures. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of the Group.

Property and equipment

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in shareholders equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the statement of profit or loss. Depreciation is recognised based on the fair value and the estimated useful life (in general 20 50 years). Depreciation is calculated on a straight-line basis. On disposal, the related revaluation reserve is transferred to retained earnings.

The fair values of land and buildings are based on regular appraisals by independent qualified valuers or internally, similar to appraisals of real estate investments. Subsequent expenditure is included in the asset s carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the statement of profit or loss as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Disposals

The difference between the proceeds on disposal and net carrying value is recognised in the statement of profit or loss under Other income.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date.

Notes to the Consolidated financial statements - continued

ING Group as the lessee

The leases entered into by ING Group are primarily operating leases. The total payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to be made to the lessor is recognised as an expense in the period in which termination takes place.

ING Group as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable under Loans and advances to customers or Loans and advances to banks. The difference between the gross receivable and the present value of the receivable is unearned lease finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. When assets are held subject to an operating lease, the assets are included under Assets under operating leases.

Assets under operating leases

Assets leased out under operating leases in which ING Group is the lessor are stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over the lease term.

Acquisitions, goodwill and other intangible assets

Acquisitions and goodwill

ING Group s acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and the Group s interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. Goodwill is only capitalised on acquisitions. The results of the operations of the acquired companies are included in the statement of profit or loss from the date control is obtained.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Contingent consideration arrangements classified as an asset or a liability, are subsequently measured at fair value. Changes in the fair value of the contingent consideration classified as equity, are not recognised.

Where a business combination is achieved in stages, ING Group s previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date ING Group obtains control) and the resulting gain or loss, if any, is recognised in the statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the statement of profit or loss, where such treatment would be appropriate if that interest were disposed of. Acquisition related costs are recognised in the statement of profit or loss as incurred and presented in the statement of profit or loss as Other operating expenses.

Until 2009, before IFRS 3 Business Combinations was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition related costs were considered to be part of the total consideration.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the Annual Accounts can be limited. The initial accounting shall be completed within a year after acquisition. Adjustments to the fair value as at the date of acquisition of acquired assets and liabilities, that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. On disposal of group companies, the difference between the sale proceeds and carrying value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the statement of profit or loss.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed five years. Amortisation is included in Other operating expenses.

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss but it is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are recognised directly in equity, is also recognised directly in equity and is subsequently recognised in the statement of profit or loss together with the deferred gain or loss.

Uncertain tax positions are assessed continually by ING Group and in case it is probable that there will be a cash outflow; a current tax liability is recognised.

Other assets

Investment property

Investment properties are recognised at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the statement of profit or loss. On disposal, the difference between the sale proceeds and carrying value is recognised in the statement of profit or loss.

Property obtained from foreclosures

Property obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets - Property development and obtained from foreclosures.

Property development

Property developed and under development for which ING Group has the intention to sell the property after its completion is included in Other assets Property development and obtained from foreclosures.

Property developed and under development for which ING Group has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and ING Group s own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price, less applicable variable selling expenses is lower than carrying value.

Property under development for which ING Group has the intention to sell the property under development after its completion and where there is a specifically negotiated contract is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in the statement of profit or loss) if ING Group has the intention to recognise the property under development after completion as real estate investments.

Disposal groups held for sale and discontinued operations

Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

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Notes to the Consolidated financial statements - continued

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to its fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group and the carrying value of certain other non-current non-financial assets. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

When a group of assets that is classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Upon classification of a business as held for sale and discontinued operations the individual income and expenses are classified to Total net result from discontinued operations instead of being presented in the usual line items in the Consolidated statement of profit or loss. All comparative years in the Consolidated statement of profit or loss are restated and presented as discontinued operations for all periods presented. Furthermore, the individual assets and liabilities are presented in the Consolidated statement of financial position as Assets and liabilities held for sale and are no longer included in the usual line items in the Consolidated statement of financial position. Changes in assets and liabilities as a result of classification as held for sale are included in the notes in the line Changes in composition of the group and other changes.

Other liabilities

Defined benefit plans

The net defined benefit asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Changes in plan assets that effect Shareholders equity and/or Net result, include mainly:

- return on plan assets using a high quality corporate bond rate at the start of the reporting period which are recognised as staff costs in the statement of profit or loss; and

- remeasurements which are recognised in Other comprehensive income (equity).

The defined benefit obligation is calculated by internal and external actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan obligation and future pension costs.

Changes in the defined benefit obligation that effects Shareholders equity and/or Net result, include mainly:

- service cost which are recognised as staff costs in the statement of profit or loss;
- interest expenses using a high quality corporate bond rate at the start of the period which are recognised as staff costs in the statement of profit or loss; and
- remeasurements which are recognised in Other comprehensive income (equity).

Remeasurements recognised in other comprehensive income are not recycled to profit or loss. Any past service cost relating to a plan amendment is recognised in profit or loss in the period of the plan amendment. Gains and losses on curtailments and settlements are recognised in the statement of profit or loss when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the consolidated statement of financial position is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Notes to the Consolidated financial statements - continued

Income recognition

Interest

Interest income and expense are recognised in the statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the statement of profit or loss. Changes in the clean fair value are included in Valuation results and net trading income.

Fees and commissions

Fees and commissions are generally recognised as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as income when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Fees received and paid between banks for payment services are classified as commission income and expenses.

Lease income

The proceeds from leasing out assets under operating leases are recognised on a straight-line basis over the life of the lease agreement. Lease payments received in respect of finance leases when ING Group is the lessor are divided into an interest component (recognised as interest income) and a repayment component.

Expense recognition

Expenses are recognised in the statement of profit or loss as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Share-based payments

Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. A liability is recognised for cash-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions are measured at the grant date and the fair value of cash-settled share-based payment transactions are measured at each balance sheet date. Rights granted will remain valid until the expiry date, even if the share based payment scheme is discontinued. The rights are subject to certain conditions, including a predetermined continuous period of service.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the statement of profit or loss.

Earnings per ordinary share

Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding:

- Own shares held by group companies are deducted from the total number of ordinary shares in issue;
- The computation is based on daily averages; and
- In case of exercised warrants, the exercise date is taken into consideration.

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Notes to the Consolidated financial statements - continued

The non-voting equity securities are not ordinary shares, because their terms and conditions (especially with regard to coupons and voting rights) are significantly different. Therefore, the weighted average number of ordinary shares outstanding during the period is not impacted by the non-voting equity securities.

Diluted earnings per share data are computed as if all convertible instruments outstanding at year-end were exercised at the beginning of the period. It is also assumed that ING Group uses the assumed proceeds thus received to buy its own shares against the average market price in the financial year. The net increase in the number of shares resulting from the exercise is added to the average number of shares used to calculate diluted earnings per share.

Share options with fixed or determinable terms are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the statement of profit or loss and changes in items per the statement of financial position, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and balances with central banks, treasury bills and other eligible bills, amounts due from other banks and deposits from banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The net cash flow shown in respect of Loans and advances to customers relates only to transactions involving actual payments or receipts. The Addition to loan loss provision which is deducted from the item Loans and advances to customers in the statement of financial position has been adjusted accordingly from the result before tax and is shown separately in the statement of cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the statement of financial position is due to exchange rate differences and is accounted for separately as part of the reconciliation of the net cash flow and the change in Cash and cash equivalents in the statement of financial position.

g) Parent company accounts

The parent company accounts of ING Groep N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in the Parent company accounts are the same as those applied in the Consolidated annual accounts.

Notes to the Consolidated financial statements - continued

2.1.2 Notes to the Consolidated statement of financial position

Assets

2 Cash and balances with central banks

Cash and balances with central banks

	2016	2015
Amounts held at central banks	16,408	19,753
Cash and bank balances	1,736	1,705
	18,144	**21,458**

In 2016, the decrease in Cash and balances with central banks is mainly as a result of the lowering of excess liquidity.

Amounts held at central banks reflect on demand balances.

Reference is made to Note 41 Assets not freely disposable for restrictions on Cash balances with central banks.

3 Loans and advances to banks

Loans and advances to banks

	Netherlands		International		Total	
	2016	2015	**2016**	2015	**2016**	2015
Loans	10,381	11,549	18,483	17,497	28,864	29,046
Cash advances, overdrafts and other balances	3	531	2	425	5	956
	10,384	**12,080**	**18,485**	**17,922**	**28,869**	**30,002**
Loan loss provisions			11	14	11	14
	10,384	**12,080**	**18,474**	**17,908**	**28,858**	**29,988**

Loans include balances (mainly short-term deposits) with central banks amounting to EUR 2,880 million (2015: EUR 1,104 million).

As at 31 December 2016, Loans include receivables related to securities in reverse repurchase transactions amounting to EUR 2,992 million (2015: EUR 1,092 million) and receivables related to finance lease contracts amounting to EUR 88 million (2015: EUR 114 million). Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions. Reference is made to Note 6 Loans and advances to customers for information on finance lease receivables.

As at 31 December 2016, the non-subordinated receivables amount to EUR 28,790 million (2015: EUR 29,924 million) and the subordinated receivables amount to EUR 68 million (2015: EUR 64 million).

Reference is made to Note 41 Assets not freely disposable for restrictions on Loans and advances to banks.

No individual loans and advances to banks has terms and conditions that significantly affect the amount, timing or certainty of consolidated cash flows of the Group. For details on significant concentrations, refer to the section Risk management Credit risk paragraph Credit Risk Appetite and Concentration Risk Framework .

4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

	2016	2015
Trading assets	114,504	131,467
Non-trading derivatives	2,490	3,347
Designated as at fair value through profit or loss	5,099	3,234
	122,093	**138,048**

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Notes to the Consolidated financial statements - continued

Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Trading assets

Trading assets by type

	2016	2015
Equity securities	9,513	14,799
Debt securities	9,863	14,316
Derivatives	38,231	39,012
Loans and receivables	56,897	63,340
	114,504	**131,467**

In 2016, the decrease is mainly cause by lower market activities.

As at 31 December 2016, Trading assets include receivables of EUR 56,020 million (2015: EUR 62,221 million) with regard to reverse repurchase transactions.

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 14 Financial liabilities at fair value through profit or loss for information on trading liabilities.

Non-trading derivatives

Non-trading derivatives by type

	2016	2015
Derivatives used in		
fair value hedges	787	800
cash flow hedges	438	917
hedges of net investments in foreign operations	73	72
Other non-trading derivatives	1,192	1,558
	2,490	**3,347**

ING Group holds warrants for 35 million shares and 26 million shares in NN Group N.V. and Voya Financial Inc. respectively.

As at 31 December 2016, Other non-trading derivatives includes EUR 175 million (2015: EUR 103 million) and EUR 19 million (2015: EUR 58 million) related to warrants on the shares of Voya Financial Inc. and NN Group N.V. respectively. Reference is made to Note 22 Valuation results and net trading income .

Other non-trading derivatives mainly includes interest rate swaps and foreign currency swaps for which no hedge accounting is applied.

Notes to the Consolidated financial statements - continued

Designated as at fair value through profit or loss

Designated as at fair value through profit or loss by type

	2016	2015
Equity securities	3	7
Debt securities	1,669	1,080
Loans and receivables	3,427	2,147
	5,099	**3,234**

Included in the Financial assets designated at fair value through profit or loss is a portfolio of loans and receivables which is economically hedged by credit derivatives. The hedges do not meet the criteria for hedge accounting and the loans are recorded at fair value to avoid an accounting mismatch. The maximum credit exposure of the loans and receivables included in Financial assets designated at fair value through profit or loss approximates its carrying value. The cumulative change in fair value of the loans attributable to changes in credit risk is not significant.

The notional value of the related credit derivatives is EUR 260 million (2015: EUR 215 million). The change in fair value of the credit derivatives attributable to changes in credit risk since the loans were first designated, amounts to EUR 8 million (2015: EUR 9 million) and the change for the current year amounts to EUR 1 million (2015: nil).

The changes in fair value of the (designated) loans attributable to changes in credit risk have been calculated by determining the changes in credit spread implicit in the fair value of bonds issued by entities with similar credit characteristics.

As at 31 December 2016, Loans and receivables designated at fair value through profit or loss includes EUR 3,001 million (2015: EUR 1,766 million) with regard to reverse repurchase transactions.

5 Investments

Investments by type

	2016	2015
Available-for-sale		
equity securities - shares in third party managed structured entities	170	169
equity securities - other	3,854	4,265
	4,024	**4,434**

debt securities	78,888	82,566
	82,912	**87,000**
Held-to-maturity		
debt securities	8,751	7,826
	8,751	**7,826**
	91,663	**94,826**

Investments held-to-maturity increased by EUR 0.9 billion. The increase is attributable to a new investment in USD government bonds and bonds issued by financial institutions, offset by a decrease in covered bonds.

In June 2016, the VISA transaction closed. As a result of this transaction, the Available-for-sale equity securities amounting to EUR 163 million, comprising ordinary shares held in VISA Europe Limited, were derecognised. As part of the upfront consideration, ING received EUR 30 million preferred shares convertible into VISA Inc. class A ordinary shares. These preferred shares are classified as Available-for-sale equity securities. Reference is made to Note 51 Other events .

In the fourth quarter of 2016, the merger between Equens SE (Equens) and Worldline was completed. The legal entity Equens ceased to exist and was renamed equensWorldline SE. ING Group previously held 15.42% in Equens at EUR 34.7 million. As a result of the merger, ING Group now holds a shareholding of 5.9% in the combined company at EUR 64.9 million. Reference is made to Note 23 Investment income for further information on the results from the merger included in the statement of profit or loss.

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Notes to the Consolidated financial statements - continued

In October 2016 ING sold 2.5% of Kotak Mahindra Bank shares representing a carrying value of EUR 456 million.

Exposure to debt securities

ING Group s exposure to debt securities is included in the following lines in the statement of financial position:

Debt securities [1]

	2016	2015
Available-for-sale investments	78,888	82,566
Held-to-maturity investments	8,751	7,826
Loans and advances to customers	7,471	9,625
Loans and advances to banks	952	1,857
Available-for-sale investments and Assets at amortised cost	**96,062**	**101,874**
Trading assets	9,863	14,316
Designated as at fair value through profit or loss	1,669	1,080
Financial assets at fair value through profit or loss	**11,532**	**15,396**
	107,594	**117,270**

ING Group s total exposure to debt securities included in available-for-sale investments and assets at amortised cost of EUR 96,062 million (2015: EUR 101,874 million) is specified as follows by type of exposure:

Debt securities by type and line items 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Government bonds	41,985	46,104	6,688	5,500	858	874			49,531	52,478
Sub-sovereign, Supranationals and Agencies	20,484	20,337	1,613	1,619	267	297			22,364	22,253
Covered bonds	11,297	11,949	100	350	1,820	2,119	882	1,787	14,099	16,205
Corporate bonds	1,345	1,177			791	1,036			2,136	2,213

Financial institutions bonds	2,020	1,865			351	363	70	64	2,441	2,292
ABS portfolio	1,757	1,134	350	357	3,384	4,936		6	5,491	6,433
Bond portfolio	**78,888**	**82,566**	**8,751**	**7,826**	**7,471**	**9,625**	**952**	**1,857**	**96,062**	**101,874**

Sub-sovereign Supranationals and Agencies (SSA) comprise amongst 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 the Liquidity Coverage Ratio (LCR).

Approximately 97% (2015: 91%) of the exposure in the ABS portfolio is externally rated AAA up to and including A-.

Borrowed debt securities are not recognised in the statement of financial position and amount to nil (2015: nil).

Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

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Changes in available-for-sale and held-to-maturity investments

Changes in available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Opening balance	4,434	2,718	82,566	92,684	7,826	2,239	94,826	97,641
Additions	80	1,279	27,073	42,976	1,731	3,457	28,884	47,712
Amortisation			144	106	87	67	231	173
Transfers and reclassifications	92			3,499		3,499	92	
Changes in unrealised revaluations	363	743	102	1,595	70	72	191	924
Impairments	13	117		17			13	134
Disposals and redemptions	682	216	30,483	48,331	630	1,219	31,795	49,766
Exchange rate differences	72	27	16	469	19	11	107	485
Changes in the composition of the group and other changes	6		6	15				15
Closing balance	**4,024**	**4,434**	**78,888**	**82,566**	**8,751**	**7,826**	**91,663**	**94,826**

Reference is made to Note 23 Investment income for details on Impairments.

In 2016 Changes in the composition of the group and other changes includes the modification of an Available-for-sale debt security into newly issued shares.

Transfers and reclassifications of available-for-sale and held-to-maturity investments

Transfers and reclassifications of available-for-sale and held-to-maturity investments

	Available-for-sale equity securities		Available-for-sale debt securities		Held-to-maturity		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
To/from held-to-maturity				3,499				3,499
To/from available-for-sale						3,499		3,499
To/from investment in associates and joint ventures	82						82	

To/from other assets/other liabilities	10			10
	92	**3,499**	**3,499**	**92**

In 2015, EUR 3.5 billion of mainly Government bonds previously classified as Available-for-sale debt securities were classified as Held-to-maturity due to ING s intent and ability to hold these bonds until maturity.

Available-for-sale equity securities - Listed and Unlisted

	2016	2015
Listed	3,539	3,804
Unlisted	485	630
	4,024	**4,434**

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Notes to the Consolidated financial statements - continued

6 Loans and advances to customers

Loans and advances to customers by type

	Netherlands[1,2]		International[2]		Total	
	2016	2015	**2016**	2015	**2016**	2015
Loans to, or guaranteed by, public authorities[1]	27,746	30,912	18,634	18,214	46,380	49,126
Loans secured by mortgages[2]	124,001	125,199	191,123	179,510	315,124	304,709
Loans guaranteed by credit institutions[1]	201	4,795	944	191	1,145	4,986
Personal lending[1]	4,376	5,636	18,722	17,041	23,098	22,677
Asset backed securities			3,380	4,936	3,380	4,936
Corporate loans[1,2]	38,530	197,069	137,675	119,162	176,205	316,231
	194,854	**363,611**	**370,478**	**339,054**	**565,332**	**702,665**
Loan loss provisions	2,349	2,900	2,829	2,872	5,178	5,772
	192,505	**360,711**	**367,649**	**336,182**	**560,154**	**696,893**

1 The comparative amounts, as at 31 December 2015, are adjusted. Total Loans and advances to customers, as at 31 December 2015, increased by EUR 163.5 billion from EUR 533.4 billion to EUR 696.9 billion mostly as a result of an increase in Corporate loans by EUR 146.0 billion from EUR 170.2 billion to EUR 316.2 billion. Reference is made to Note 1 Accounting policies Change in accounting policies and Changes in presentation in 2016.

2 In 2016, Loans and advances to customers by type as at 31 December 2015 are adjusted. Certain Corporate Loans have been reclassified to Loans secured by mortgages.

The decrease in Loans and advances to customers compared to 2015 is primarily due to a change in accounting policies implemented in 2016. Reference is made to Note 1 Accounting policies Changes in accounting policies in 2016.

As at 31 December 2016, Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 47 million (2015: EUR 418 million).

Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Loans and advances to customers by subordination

	2016	2015
Non-subordinated[1]	558,857	695,596
Subordinated	1,297	1,297
	560,154	**696,893**

1 The comparative amounts, as at 31 December 2015, are adjusted as a result of a change in accounting policies and a reclassification for Items to be cleared. Total Loans and advances to customers, as at 31 December 2015, increased by EUR 163.5 billion from EUR 533.4 billion to EUR 696.9 billion. Reference is made to Note 1 Accounting policies Change in accounting policies and Changes in presentation in 2016.

No individual loan or advance has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of the Group. For details on significant concentrations, refer to the section Risk management Credit risk paragraph Çredit Risk Appetite and Concentration Risk Framework .

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Notes to the Consolidated financial statements - continued

Loans and advances to customers and Loans and advances to banks include finance lease receivables and are detailed as follows:

Finance lease receivables

	2016	2015
Maturities of gross investment in finance lease receivables		
within 1 year	2,492	2,690
more than 1 year but less than 5 years	6,282	6,004
more than 5 years	3,114	3,672
	11,888	**12,366**
Unearned future finance income on finance leases	1,254	1,507
Net investment in finance leases	**10,634**	**10,859**
Maturities of net investment in finance lease receivables		
within 1 year	2,210	2,368
more than 1 year but less than 5 years	5,635	5,246
more than 5 years	2,789	3,245
	10,634	**10,859**
Included in Loans and advances to banks	88	114
Included in Loans and advances to customers	10,546	10,745
	10,634	**10,859**

The allowance for uncollectable finance lease receivables includes in the loan loss provisions an amount of EUR 282 million as at 31 December 2016 (2015: EUR 271 million).

No individual finance lease receivable has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of the Group.

Loan loss provisions by type

	Netherlands		International		Total	
	2016	2015	**2016**	2015	**2016**	2015
Loans to, or guaranteed by, public authorities			7	2	7	2
Loans secured by mortgages	550	819	638	717	1,188	1,536

Loans guaranteed by credit institutions	2	1	12	15	14	16
Personal lending	122	177	620	712	742	889
Asset backed securities			2	2	2	2
Corporate loans and Credit Facilities	1,738	1,903	1,617	1,438	3,355	3,341
	2,412	**2,900**	**2,896**	**2,886**	**5,308**	**5,786**
The closing balance is included in						
Loans and advances to banks			11	14	11	14
Loans and advances to customers	2,349	2,900	2,829	2,872	5,178	5,772
Other provisions other	63		56		119	
	2,412	**2,900**	**2,896**	**2,886**	**5,308**	**5,786**

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Notes to the Consolidated financial statements - continued

Changes in loan loss provisions

	2016	2015
Opening balance	5,786	5,995
Write-offs	1,494	1,718
Recoveries	94	91
Increase in loan loss provisions	974	1,347
Exchange rate differences	55	38
Changes in the composition of the group and other changes	3	33
Closing balance	**5,308**	**5,786**

The Increase in loan loss provisions is presented as Addition to loan loss provisions in the Consolidated statement of profit or loss.

7 Investments in associates and joint ventures

Investments in associates and joint ventures

2016	**Interest held (%)**	**Fair value of listed investment**	**Balance sheet value**	**Total assets**	**Total liabilities**	**Total income**	**Total expenses**
TMB Public Company Limited	30	729	861	21,439	19,275	685	489
Other investments in associates and joint ventures			280				
			1,141				

Investments in associates and joint ventures

2015	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	801	732	20,956	19,074	630	419
Other investments in associates and joint ventures			230				
			962				

TMB Public Company Limited (TMB) is an associate in which ING Group holds a 30% ownership interest. TMB is a financial institution providing products and services to Wholesale, Small and Medium Enterprise (SME) and Retail customers. TMB is domiciled in Bangkok, Thailand and is listed on the Stock Exchange of Thailand (SET).

Other investments in associates and joint ventures are mainly investment property funds or vehicles operating predominantly in Europe.

ING Group does not hold any interests in Investments in Associates and joint ventures that are individually significant to ING Group. Other investments in associates and joint ventures represents a large number of associates and joint ventures with an individual statement of financial position value of less than EUR 50 million.

Significant influence for associates in which the interest held is below 20%, is based on the combination on ING Group s financial interest and other arrangements, such as participation in the Board of Directors.

In general, the reporting dates of all significant associates and joint ventures are consistent with the reporting date of the Group. However, the reporting dates of certain associates and joint ventures can differ from the reporting date of the Group, but by no more than three months.

Accumulated impairments of EUR 48 million (2015: EUR 24 million) have been recognised. The values presented in the tables above could differ from the values presented in the individual annual accounts of the associates and joint ventures, due to the fact that the individual values have been brought in line with ING Group s accounting principles. Where the listed fair value is lower than the statement of financial position value, an impairment review and an evaluation of the going concern basis has been performed.

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Notes to the Consolidated financial statements - continued

The associates and joint ventures of ING are subject to legal and regulatory restrictions regarding the amount of dividends it can pay to ING. These restrictions are for example dependant on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the associates and joint ventures operate. In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Changes in Investments in associates and joint ventures

	2016	2015
Opening balance	962	953
Additions	49	24
Transfers to and from Investments/Other assets and liabilities	75	10
Revaluations	38	5
Share of results	91	110
Dividends received	37	33
Disposals	54	125
Impairments	3	
Exchange rate differences	20	20
Changes in the composition of the group and other changes		18
Closing balance	**1,141**	**962**

Additions

In 2016 additions are mainly due to several smaller investments in associates.

Transfers to and From Investments/Other assets and liabilities

In 2016 transfers included EUR 82 million reclassification from Available-for-sale equity securities to associates and EUR 7 million reclassification from/to other assets and other liabilities.

Revaluations

In 2016, revaluations as presented in the table above of EUR 38 million includes, EUR 54 million relating to TMB, EUR 17 million relating to Equens SE, and EUR 31 million is due to other revaluations.

Share of results

In 2016, Share of results from associates and joint ventures of EUR 88 million as presented in the statement of profit or loss, includes:

- Share of results, as presented in the table above of EUR 91 million mainly attributable to results of TMB amounting to EUR 68 million and a gain of EUR 21 million on disposal of shares held in VISA Europe Limited; and
- Impairments of investments in associates and joint ventures of EUR 3 million.

In 2015, Share of results from associates and joint ventures of EUR 492 million as presented in the statement of profit or loss, included:

- Share of results, as presented in the table above, of EUR 110 million mainly attributable to results of TMB amounting to EUR 75 million and gain on disposal of Ivy Retail SRL and Ontwikkelingscombinatie Overhoeks C.V. amounting to EUR 10 million and EUR 5 million respectively;
- A net gain on Investments in associates held for sale of EUR 382 million, which comprised EUR 367 million from the merger of ING Vysya with Kotak and EUR 15 million on the sale of ING Nationale Nederlanden PTE Polska, S.A.; and
- Impairments on investments in associates and joint ventures of nil.

Disposals

In 2016, Disposals of EUR 54 million is mainly attributable to the sale of Enterprise Center of EUR 40 million and capital repayment CBRE Asia Value Fund of EUR 10 million.

In 2015, Disposals of EUR 125 million was mainly attributable to sale of Ivy Retail SRL and Ontwikkelingscombinatie Overhoeks C.V. as referred to above.

Exchange rate differences

In 2016, Exchange rate differences includes EUR 20 million, of which 28 million relates to TMB and EUR 9 million relates to Appia Group (2015: EUR 11 million related to TMB).

Notes to the Consolidated financial statements - continued

8 Property and equipment

Property and equipment by type

	2016	2015
Property in own use	881	982
Equipment	1,015	971
Assets under operating leases	106	74
	2,002	**2,027**

ING uses external valuers to value property in own use. All properties are typically appraised by external valuers once every five years.

Changes in property in own use

	2016	2015
Opening balance	982	1,020
Additions	9	10
Reclassifications		
- Transfers to and from Investment properties	8	1
- Transfers to and from Other assets		4
	8	5
Amounts recognised in the statement of profit or loss for the year		
- Depreciation	15	16
- Impairments	64	17
- Reversal of impairments	5	14
	74	19
Revaluations recognised in equity during the year	11	32
Disposals	38	60
Exchange rate differences	17	6
Closing balance	**881**	**982**
Gross carrying amount as at 31 December	1,656	1,823
Accumulated depreciation as at 31 December	504	635
Accumulated impairments as at 31 December	271	206

Net carrying value as at 31 December	**881**	**982**
Revaluation surplus		
Opening balance	273	219
Revaluation in the year	17	54
Closing balance	**256**	**273**

The cost or the purchase price amounted to EUR 1,400 million (2015: EUR 1,551 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 625 million (2015: EUR 710 million) had property in own use been valued at cost instead of at fair value.

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Notes to the Consolidated financial statements - continued

Changes in equipment

	Data processing equipment		Fixtures and fittings and other equipment		Total	
	2016	2015	**2016**	2015	**2016**	2015
Opening balance	263	265	708	733	971	998
Additions	161	140	181	176	342	316
Disposals	5	6	20	7	25	13
Depreciation	137	125	178	186	315	311
Exchange rate differences	5	4	5	1	10	5
Changes in the composition of the group and other changes	46	7	6	7	52	14
Closing balance	**323**	**263**	**692**	**708**	**1,015**	**971**
Gross carrying amount as at 31 December	1,274	1,092	2,432	2,482	3,706	3,574
Accumulated depreciation as at 31 December	950	828	1,740	1,774	2,690	2,602
Accumulated impairments as at 31 December	1	1			1	1
Net carrying value as at 31 December	**323**	**263**	**692**	**708**	**1,015**	**971**

9 Intangible assets

Changes in intangible assets

	Goodwill		Software		Other		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Opening balance	985	1,061	567	574	15	20	1,567	1,655
Additions			93	134			93	134
Capitalised expenses			195	122			195	122
Amortisation			182	265	5	5	187	270
Impairments			45	15			45	15
Exchange rate differences	82	70	1			1	83	71
Disposals			9	1			9	1
Changes in the composition of the group and other changes		6	47	18		1	47	13
Closing balance	**903**	**985**	**571**	**567**	**10**	**15**	**1,484**	**1,567**
Gross carrying amount as at 31 December	903	985	1,756	1,706	29	29	2,688	2,720

Accumulated amortisation as at 31 December			1,147	1,128	17	12	1,164	1,140
Accumulated impairments as at 31 December			38	11	2	2	40	13
Net carrying value as at 31 December	**903**	**985**	**571**	**567**	**10**	**15**	**1,484**	**1,567**

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Notes to the Consolidated financial statements - continued

Goodwill

Goodwill is allocated to groups of CGUs as follows:

Goodwill allocation to group of CGUs

Group of CGU s	Method used for recoverable amount	Discount rate	Long term growth rate	Goodwill **2016**	Goodwill 2015
Retail Belgium	Values in use	8.64%	0.45%	50	50
Retail Germany	Values in use	7.74%	0.45%	349	349
Retail Growth Markets[1, 2]	Fair value less cost of disposal	12.48%	3.19%	375	427
Wholesale Banking[2]	Values in use	8.80%	0.96%	129	159
				903	**985**

1 As of 2016, the group of CGUs Retail Central Europe is renamed to Retail Growth and enhanced with Asian stakes to align with segment reporting. This change has no impact on goodwill allocated to this group of CGUs in 2016 and 2015.

2 Goodwill related to Growth Countries is allocated across two groups of CGUs EUR 375 million to Retail Growth and EUR 109 million to Wholesale Banking.

No goodwill impairment was recognised in 2016 (2015: nil). Changes in the goodwill per group of CGUs in 2016 is due to changes in currency exchange rates.

Goodwill impairment testing

Impairment reviews with respect to goodwill are performed at least annually and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes and is referred to as a Cash Generating Unit (CGU), or group of CGUs. Goodwill is tested for impairment by comparing the carrying value of the group of CGUs (that is, the group of cash generating units or CGUs) to the best estimate of the recoverable amount of that group of CGUs. In compliance with IAS 36 Impairment of assets , the carrying value is determined on a basis that is consistent with the way in which the recoverable amount of the CGU is determined. The actual IFRS capital is the basis for allocation of carrying value to CGUs, adjusted for Retail/Wholesale split using a solvency allocation key which is based on the CGUs share of risk-weighted assets.

Methodology

Several methodologies are applied to arrive at the best estimate of the recoverable amount. In line with IFRS, the recoverable amount is determined as the higher of the fair value less costs of disposal and Value in Use (VIU). Fair value less costs of disposal is based on observable share prices (Level 1 inputs in the fair value hierarchy), observable Price-to-Book multiples of relevant peer banks (Level 2), or based on a discounted free cash flow model (Level 3). The VIU calculation is based on a Dividend Discount model using five year management approved plans. When estimating the VIU of a CGU, local conditions and requirements determine the capital requirements, discount rates, and terminal growth rates. These local conditions and requirements determine the ability to upstream excess capital and profits to ING Group. The discount rate calculation includes other inputs such as equity market premium, country risk premium, and long term inflation which are based on market sources and management s judgement. The long term growth rate for EU-countries is based on long-term risk-free rate by reference to the yield of a composite index consisting of Euro generic government bonds, with a maturity of 30 years. For other countries, the growth rate includes long term inflation rate obtained from market sources.

The carrying value of the CGUs exceeds the recoverable amount for 2016 and 2015 and therefore no impairment is required.

Sensitivity of key assumptions

Key assumptions in the goodwill impairment test model are the Price to Book ratios, share price of listed subsidiaries and the local parameters for CET1, discount rate, and long term growth rates. The model was tested for sensitivity by changing the key parameters in the model to more conservative values. The sensitivity analysis did not trigger additional impairment considerations.

Software

Software, includes internally developed software amounting to EUR 395 million (2015: EUR 319 million).

As of 2016, the amortisation period for capitalised software is changed from three to five years. The change is applied prospectively. The change results in a lower charge to the statement of profit or loss for the year. The change has no significant impact on the statement of profit or loss for the year ended 31 December 2016 and is not expected to have a significant impact on the statement of profit or loss of ING Group in future years. Amortisation of software and other intangible assets is included in the statement of profit or loss in other operating expenses. Reference is made to Note 27 Other operating expenses .

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10 Other assets

Other assets by type

	2016	2015
Net defined benefit assets	609	643
Investment properties	65	77
Property development and obtained from foreclosures	184	212
Accrued interest and rents	5,588	6,228
Other accrued assets	884	717
Amounts to be settled	4,815	2,087
Other	2,577	2,297
	14,722	**12,261**

Disclosures in respect of Net defined benefit assets are provided in Note 35 Pension and other post-employment benefits .

Property development and obtained from foreclosures

Property development and obtained from foreclosures

	2016	2015
Property developed	109	141
Property obtained from foreclosures	75	71
	184	**212**
Gross carrying amount as at 31 December	469	531
Accumulated impairments as at 31 December	285	319
Net carrying value	**184**	**212**

Accrued interest and rents

As at 31 December 2016, the line item includes accrued interest of EUR 1,939 million (2015: EUR 2,290 million) on trading derivative assets and EUR 2,773 million (2015: EUR 2,895 million) on loans and available-for-sale bonds. Accrued interest on trading derivative assets should be considered together with accrued interest on trading derivative liabilities as included in Other liabilities. Reference is made to Note 16 Other liabilities . The remainder of the balance relates mainly to accrued interest on cash flow hedges, fair value hedges, and other non-trading derivatives.

Other accrued assets

In 2016, Other accrued assets increased by EUR 167 million, mainly due to card transactions.

Amounts to be settled

Amounts to be settled are primarily transactions not settled at the balance sheet date. They are short term in nature and are expected to settle shortly after the balance sheet date. The increase in 2016 is partly attributable to the reclassification of Items to be settled in respect of securities transactions. Items to be settled in respect of securities transactions of nil, at 31 December 2016 (31 December 2015: EUR 1,499 million), were previously reported under Loans and advances to customers and Loans and advances to banks. On the basis of materiality, comparative amounts as at 31 December 2015 have not been adjusted. Furthermore, the increased balance, as at 31 December 2016, is due to higher market activity compared to year end.

Other

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

11 Assets held for sale

As at 31 December 2015, Assets held for sale related to the investment of 25.75% in the associate NN Group which amounted to EUR 2,153 million.

During 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 .

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Notes to the Consolidated financial statements - continued

Reference is made to Note 28 Discontinued operations and Note 51 Other events .

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Notes to the Consolidated financial statements - continued

Liabilities

12 Deposits from banks

Deposits from banks include non-subordinated debt from banks, except for amounts in the form of debt securities.

Deposits from banks by type

	Netherlands		International		Total	
	2016	2015	**2016**	2015	**2016**	2015
Non-interest bearing		1,304	449	1,063	449	2,367
Interest bearing	13,778	12,331	17,737	19,115	31,515	31,446
	13,778	**13,635**	**18,186**	**20,178**	**31,964**	**33,813**

In 2016, ING participated in the new targeted longer-term refinancing operations (TLTRO II) of EUR 10.7 billion and early redeemed the old TLTRO I tranches for EUR 8.7 billion.

The TLTRO aims to stimulate lending to the real economy in the Eurozone. The interest rate on the TLTRO s is fixed over the life of each operation at the benchmark rate of the European Central Bank.

Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

13 Customer deposits

Customer deposits

	2016	2015
Savings accounts	315,663	305,910
Credit balances on customer accounts[1]	173,230	316,717
Corporate deposits	32,687	40,244
Other	1,328	1,339
	522,908	**664,210**

1 The comparative amounts, as at 31 December 2015, are adjusted as a result of a change in accounting policies. Total Customer deposits, as at 31 December 2015, increased by EUR 163.5 billion from EUR 500.8 billion to EUR 664.2 billion as a result of an increase in Credit balances on customer accounts. Reference is made to Note 1 Accounting policies - Change in accounting policies and presentation in 2016.

Customer deposits by type

	Netherlands[1]		International		Total	
	2016	2015	**2016**	2015	**2016**	2015
Non-interest bearing	13,536	12,360	16,911	13,367	30,447	25,727
Interest bearing[1]	151,446	310,950	341,015	327,533	492,461	638,483
	164,982	**323,310**	**357,926**	**340,900**	**522,908**	**664,210**

1 The comparative amounts, as at 31 December 2015, are adjusted as a result of a change in accounting policies. Total Customer deposits, as at 31 December 2015, increased by EUR 163.5 billion from EUR 500.8 billion to EUR 664.2 billion. Reference is made to Note 1 Accounting policies - Change in accounting policies in 2016.

Savings accounts relate to the balances on savings accounts, savings books, savings deposits, and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

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Notes to the Consolidated financial statements - continued

14 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

	2016	2015
Trading liabilities	83,167	88,807
Non-trading derivatives	3,541	4,257
Designated at fair value through profit or loss	12,266	12,616
	98,974	**105,680**

Trading liabilities

Trading liabilities by type

	2016	2015
Equity securities	1,975	3,773
Debt securities	4,146	5,342
Funds on deposit	37,753	38,789
Derivatives	39,293	40,903
	83,167	**88,807**

The decrease in the trading liabilities is mainly due to a reduction of short positions, expiring contracts, and changes in fair value resulting from market interest rates and exchange rates. Reference is made to Note 4 Financial assets at fair value through profit or loss for information on trading assets.

Reference is made to Note 42 Transfer of financial assets for information on securities lending as well as sale and repurchase transactions.

Non-trading derivatives

Non-trading derivatives by type

	2016	2015
Derivatives used in:		
fair value hedges	672	988

cash flow hedges	671	1,167
hedges of net investments in foreign operations	33	52
Other non-trading derivatives	2,165	2,050
	3,541	**4,257**

Other non-trading derivatives mainly includes interest rate swaps and foreign currency swaps for which no hedge accounting is applied.

Designated as at fair value through profit or loss

Designated as at fair value through profit or loss by type

	2016	2015
Debt securities	10,736	11,623
Funds entrusted	969	407
Subordinated liabilities	561	586
	12,266	**12,616**

In 2016, the change in the fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk is EUR 50 million (2015: EUR 163 million) and EUR 170 million (2015: EUR 119 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).

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The amount that ING Group is contractually required to pay at maturity to the holders of financial liabilities designated at fair value through profit or loss is EUR 11,720 million (2015: EUR 12,220 million).

15 Provisions

Provisions by type

	2016	2015
Reorganisation provisions	1,482	670
Other provisions	546	294
	2,028	**964**

Reorganisation provisions

Changes in reorganisation provisions

	2016	2015
Opening balance	670	728
Additions	1,202	180
Unused amounts reversed	13	15
Utilised	365	226
Exchange rate differences	5	5
Changes in the composition of the group and other changes	7	2
Closing balance	**1,482**	**670**

In 2016, ING Group recognised an additional reorganisation provision of EUR 1,032 million, for the intended workforce reductions per the intended digital transformation programmes as announced on ING s Investor Day on 3 October. The intended initiatives are expected to result in a reduction of ING s workforce mainly in Belgium and the Netherlands during 2016 to 2021.

In 2015, Additions to reorganisation provisions was mainly attributable to existing reorganisation initiatives in Retail Netherlands and Belgium.

These initiatives are implemented over a period of several years and the estimate of the reorganisation provisions is inherently uncertain. The provision at the balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover these costs.

Other provisions

Changes in other provisions

	Litigation		Other		Total	
	2016	2015	**2016**	2015	**2016**	2015
Opening balance	187	190	107	99	294	289
Additions	235	105	120	8	355	113
Unused amounts reversed	46	81	6	24	52	105
Utilised	28	17	19	2	47	19
Exchange rate differences	1	2	1	1	2	3
Changes in the composition of the group and other changes	6	8	8	27	2	19
Closing balance	**353**	**187**	**193**	**107**	**546**	**294**

In 2016, Other provisions other changes include amounts related to Letters of Credit / Guarantees of EUR 119 million. In general, Other provisions are of a short-term nature. As at 31 December 2016, amounts expected to be settled within twelve months, amount to EUR 322 million. The amounts included in other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Included in Other provisions Litigation in 2016 and 2015, is a provision related to floating interest rate derivatives that were sold in the Netherlands. Reference is made to Note 27 Other operating expenses and Note 45 Legal proceedings .

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Notes to the Consolidated financial statements - continued

Included in Other provisions Litigation in 2016, is a provision related to medical insurance plan damages for retired employees of ING Belgium. Reference is made to Note 27 Other operating expenses and Note 45 Legal proceedings .

16 Other liabilities

Other liabilities by type

	2016	2015
Net defined benefit liability	521	498
Other post-employment benefits	87	98
Other staff-related liabilities	498	349
Other taxation and social security contributions	495	565
Accrued interest	4,394	5,156
Costs payable	2,242	1,874
Share-based payment plan liabilities	26	26
Amounts to be settled	6,391	2,390
Other	2,198	2,176
	16,852	**13,132**

Disclosures in respect of Net defined benefit liabilities are provided in Note 35 Pension and other post-employment benefits .

Other staff-related liabilities

Other staff-related liabilities includes vacation leave provisions, variable compensation provisions, jubilee provisions and disability/illness provisions.

Amounts to be settled

Amounts to be settled increased compared to 31 December 2015 as a result of reclassification of Items to be settled in respect of securities transactions. The items to be settled in respect of securities transactions of EUR 3,571 million, at 31 December 2016 (31 December 2015: EUR 2,257 million), were previously reported under Customer deposits and Deposits from banks. On the basis of materiality, comparative amounts as at 31 December 2015, have not been adjusted. Furthermore, the remaining increase, as at 31 December 2016, is due to higher market activity compared to year end.

Other

Other liabilities   Other relates mainly to year-end accruals. Included in Other liabilities - Other, are accruals related to ING s contributions to the Deposit Guarantee Scheme (DGS) and the Single Resolution Fund (SRF).

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17 Debt securities in issue

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on floating interest rate levels, such as certificates of deposit and accepted bills issued by ING Group, except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit or loss. ING Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue maturities

	2016	2015
Fixed rate debt securities		
Within 1 year	27,208	40,728
More than 1 year but less than 2 years	12,151	7,807
More than 2 years but less than 3 years	7,365	11,192
More than 3 years but less than 4 years	7,893	6,068
More than 4 years but less than 5 years	8,674	7,845
More than 5 years	14,716	20,415
Total fixed rate debt securities	**78,007**	**94,055**
Floating rate debt securities		
Within 1 year	13,278	10,483
More than 1 year but less than 2 years	2,724	6,056
More than 2 years but less than 3 years	4,168	1,958
More than 3 years but less than 4 years	793	2,827
More than 4 years but less than 5 years	320	476
More than 5 years	3,944	5,434
Total floating rate debt securities	**25,227**	**27,234**
Total debt securities	**103,234**	**121,289**

In 2016, the decrease in Debt securities in issue of EUR 18.1 billion is mainly attributable to a decrease in long term maturity bonds of EUR 9.1 billion, a decrease of EUR 6.5 billion in certificates of deposit, decrease of EUR 2.9 billion covered bonds, decrease in other debt securities in issue EUR 2.1 billion, partially offset by an increase in commerical paper of EUR 2.5 billion.

As at 31 December 2016, ING Group has unused lines of credit available including the payment of commercial paper borrowings relating to debt securities in issue of EUR 12,015 million (2015: EUR 14,646 million).

18 Subordinated loans

Subordinated loans by group companies

	2016	2015
ING Groep N.V.	7,203	7,265
ING Group companies	10,020	9,146
	17,223	**16,411**

Subordinated loans issued by ING Groep N.V. have been issued to raise Tier 1 capital for ING Bank N.V. Under IFRS these bonds are classified as liabilities and for regulatory purposes, they are considered capital. Subordinated loans issued by ING Group companies comprise, for the most part, subordinated loans which are subordinated to all current and future liabilities of ING Bank N.V.

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Notes to the Consolidated financial statements - continued

Changes in subordinated loans

	2016	2015
Opening balance	16,411	18,158
New issuances	2,070	3,159
Repayments	1,252	6,092
Exchange rate differences and other	6	1,186
Closing balance	**17,223**	**16,411**

In April 2016, ING Bank N.V. issued EUR 1,000 million CRD IV-eligible Tier-2 instruments. The transaction had an issuer substitution option which gives ING the right to exchange these for subordinated Tier-2 notes issued by ING Groep N.V. ING has classified this instrument as a financial liability because of the contractual interest payments and fixed maturity date.

In November 2016, ING Groep N.V. issued USD 1,000 million securities that qualify as Additional Tier 1 capital under CRR/CRD IV. The issuance was in the form of 5 Year Callable USD denominated Perpetual Additional Tier 1 Contingent Convertible Securities, with coupon 6.875%. The securities are subject to full conversion into ordinary shares of ING Groep N.V. in the event that ING s phased-in CET1 ratio would fall below 7%. ING has classified this instrument as a financial liability because ING is obliged to deliver cash or another financial asset, or to otherwise settle the instrument in such a way that it would be a financial liability (e.g. by delivering a variable number of shares) upon the occurrence of an uncertain future event (i.e. a trigger event) that is beyond the control of both the issuer and the holder.

In February, March, and September 2016 respectively, ING Groep N.V. redeemed the final tranche of subordinated loans from the Anchor investors (EUR 338 million), GBP 66 million 5.14% Bond and the USD 800 million 7.05% ING Perpetual Debt Securities.

The average interest rate on subordinated loans is 4.94% (2015: 4.89%). The interest expense during the year 2016 was EUR 816 million (2015: EUR 901 million).

For additional information, reference is made to the Parent company annual accounts, Note 5 Subordinated loans .

ING Groep N.V. - Anchor investors

Subordinated loans issued by ING Groep N.V. include subordinated notes issued by the Anchor investors amounting to nil (2015: EUR 337.5 million).

In 2014, EUR 1,125 million was received from three external investors (Asian-based investment firms RRJ Capital, Temasek and Sea Town Holdings International) in relation to the IPO of NN Group. This funding, which bears a 4% interest rate, was to be repaid in three tranches of NN Group shares. The number of shares in the repayment was variable, such that the fair value of the shares at repayment date equalled the notional repayment amount, taking into account a discount in the range of 1.5% to 3% of the market price.

In July 2014, a first tranche of EUR 450 million of the mandatorily exchangeable subordinated notes was exchanged into NN Group shares. In June 2015, a second tranche of EUR 337.5 million of the mandatorily exchangeable subordinated notes was exchanged into 13.6 million NN Group ordinary shares and comprised a non-cash transaction. In February 2016, the remaining tranche, of EUR 337.5 million, was mandatorily exchanged. For further information, reference is made to Note 51 Other events .

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Notes to the Consolidated financial statements - continued

Equity

19 Equity

Total equity

	2016	2015	2014
Share capital and share premium			
Share capital	39	928	925
Share premium	16,950	16,054	16,046
	16,989	**16,982**	**16,971**
Other reserves			
Revaluation reserve: Available-for-sale and other	3,830	3,896	6,838
Revaluation reserve: Cash flow hedge	777	666	3,877
Revaluation reserve: Property in own use	204	326	306
Net defined benefit asset/liability remeasurement reserve	371	306	504
Currency translation reserve	770	538	741
Share of associates, joint ventures and other reserves	2,235	1,733	1,483
Treasury shares	8	18	46
	5,897	**5,759**	**11,213**
Retained earnings	**24,371**	**22,231**	**19,370**
Shareholders equity (parent)	**47,257**	**44,972**	**47,554**
Non-controlling interests	606	638	8,047
Total equity	**47,863**	**45,610**	**55,601**

Share capital and share premium

Share capital

Share capital

Ordinary shares (par value EUR 0.01)					
Number x 1,000			Amount		
2016	2015	2014	**2016**	2015	2014

Authorised share capital	14,729,000	14,500,000	14,500,000	147	3,480	3,480
Unissued share capital	10,850,516	10,629,817	10,641,138	108	2,552	2,555
Issued share capital	**3,878,484**	**3,870,183**	**3,858,862**	**39**	**928**	**925**

Changes in issued share capital

	Ordinary shares (par value EUR 0.01)	
	Number x 1,000	Amount
Issued share capital as at 1 January 2014	3,840,894	921
Issue of shares	17,968	4
Issued share capital as at 31 December 2014	**3,858,862**	**925**
Issue of shares	11,321	3
Issued share capital as at 31 December 2015	**3,870,183**	**928**
Issue of shares	8,301	2
Transfer to share premium		891
Issued share capital as at 31 December 2016	**3,878,484**	**39**

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Notes to the Consolidated financial statements - continued

In 2016, ING Groep N.V. issued 8.3 million depositary receipts for ordinary shares (converted into ordinary shares per 26 July 2016) (2015: 11.3 million and 2014: 18.0 million: depositary receipts for ordinary shares). These issues were made in order to fund obligations arising from share-based employee incentive programmes.

During the Annual General Meeting of Shareholders, held on 25 April 2016, it was decided to reduce the par value per ordinary share from EUR 0.24 (2015 and 2014) to EUR 0.01. As a result of this, EUR 891 million is attributed to the Share premium. For further information, reference is made to the section Depository receipts for ordinary shares , below.

In 2016 and 2015 respectively, ING Groep N.V. issued USD 1,000 million and USD 2,250 million Perpetual Additional Tier 1 Contingent Convertible Capital Securities which can, in accordance with their terms and conditions, convert by operation of law into ordinary shares if the conditions to such conversion are fulfilled. As a result of this conversion, the issued share capital can increase by no more than 111 million and 250 million ordinary shares, respectively. Reference is made to Note 18 Subordinated loans and to the Parent company annual accounts, Note 5 Subordinated loans .

Ordinary shares

All ordinary shares are in registered form. No share certificates have been issued. Ordinary shares may be transferred by means of a deed of transfer. A transfer of ordinary shares requires written acknowledgement by ING Groep N.V. Ordinary shares are listed on various stock exchanges. The par value of ordinary shares is EUR 0.01 as of 26 July 2016, the date of amendment of the Articles of Association of ING Groep N.V. (2015 and 2014: EUR 0.24). The authorised ordinary share capital of ING Groep N.V. currently consists of 14,729 million ordinary shares. As at 31 December 2016, 3,878 million ordinary shares were issued and fully paid.

Depositary receipts for ordinary shares

In 2016, ING Group proposed to the Annual General Meeting of Shareholders to amend the Articles of Association, which included the abolishment of the depositary receipt structure via Stichting Aandelen (ING Trust Office).

Following the adoption of the amendments to the Articles of Association, by the Annual General Meeting on 25 April 2016, the depositary receipt structure was abolished on 26 July 2016. As a result of the amendments to the Articles of Association, a holder of a depositary receipt became entitled to ordinary shares in ING in exchange for depositary receipts previously held.

The conversion of ING Groep N.V. depositary receipts for shares into ING Groep N.V. ordinary shares took place on 26 July 2016. On the same date, the related changes to the Articles of Association, including the reduction of the nominal value of the shares from EUR 0.24 to EUR 0.01, were implemented.

ING s American Depositary Receipts (ADR s), which are traded on the New York Stock Exchange, remain in place. Similarly, the separate arrangement with the ING Continuity Foundation, regarding its call option to acquire preference shares in ING Group under certain circumstances, remains in place.

As per 26 July 2016, more than 99.9% of the issued ordinary shares were held by Stichting ING Aandelen (ING Trust Office). In exchange for these shares, ING Trust Office issued depositary receipts. These depositary receipts were listed on various stock exchanges. Depositary receipts could be exchanged upon request of the holders of depositary receipts for (non-listed) ordinary shares without any restriction, other than payment of an administrative fee of EUR 0.01 per depositary receipt with a minimum of EUR 25 per exchange transaction.

The holder of a depositary receipt was entitled to receive from ING Trust Office payment of dividends and distributions corresponding to the dividends and distributions received by ING Trust Office on an ordinary share.

Ordinary shares held by ING Group (Treasury shares)

As at 31 December 2016, 0.0 million ordinary shares (2015: 1.5 million and 2014: 4.3 million - depositary receipts for ordinary shares) of ING Groep N.V. with a par value of EUR 0.01 (2015 and 2014: EUR 0.24) are held by ING Groep N.V. or its subsidiaries. The obligations with regard to the existing stock option plan and the share plans will be funded either by cash or by newly issued shares at the discretion of ING Group.

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Share premium

Share premium

	2016	2015	2014
Opening balance	16,054	16,046	16,038
Issue of shares	5	8	8
Transfer from issued share capital	891		
Closing balance	**16,950**	**16,054**	**16,046**

The increase in share premium, as a result of the issue of ordinary shares, is related to share-based employee incentive programmes.

In 2016, the share premium increased by EUR 896 million, mainly as a result of a transfer from issued share capital as described above.

Other reserves

Revaluation reserve: Available-for-sale and other

Changes in revaluation reserve: Available-for-sale and other

	2016	2015	2014
Opening balance	3,896	6,838	3,344
Unrealised revaluations	80	1,188	7,656
Realised gains/losses transferred to the statement of profit or loss	146	94	133
Transfer to insurance liabilities/DAC		254	2,658
Impact of deconsolidation of NN Group		2,940	
Impact of partial divestment of NN Group		855	
Impact of IPO NN Group			874
Changes in composition of the group and other changes		13	497
Closing balance	**3,830**	**3,896**	**6,838**

In 2016, the available-for-sale revaluation reserve decreased by EUR 154 million related to the release of previously recognised revaluation reserves, included in the line Unrealised revaluations in 2015, on shares held in VISA Europe Limited. Reference is made to Note 5 Investments , Note 37 Fair value of assets and liabilities and Note 51 Other events.

In 2015 and 2014, Transfer to insurance liabilities/DAC comprised the change in insurance liabilities related to NN Group and Voya, until deconsolidation at the end of May 2015 and the end of March 2014 respectively.

In 2014, Changes in composition of the group and other changes included EUR 502 million related to the deconsolidation of Voya. Reference is made to Note 51 Other events .

Revaluation reserve: Cash flow hedge

Changes in revaluation reserve: Cash flow hedge

	2016	2015	2014
Opening balance	666	3,877	1,879
Realised gains/losses transferred to the statement of profit or loss			4
Changes in cash flow hedge reserve	111	65	3,105
Impact of deconsolidation of NN Group		2,507	
Impact of partial divestment of NN Group		649	
Impact of IPO NN Group			1,100
Changes in composition of the group and other changes		10	3
Closing balance	**777**	**666**	**3,877**

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Notes to the Consolidated financial statements - continued

Revaluation reserve: Property in own use

Changes in revaluation reserve: Property in own use

	2016	2015	2014
Opening balance	326	306	334
Unrealised revaluations	5	38	28
Impact of deconsolidation of NN Group		9	
Impact of partial divestment of NN Group		3	
Impact of IPO NN Group			2
Changes in composition of the group and other changes	127	6	2
Closing balance	**204**	**326**	**306**

In 2016, the EUR 127 million is a transfer of revaluation reserve to retained earnings.

Reference is made to Note 51 Other events , for further information on NN Group divestment transactions.

Net defined benefit asset/liability remeasurement reserve

Reference is made to Note 35 Pension and other post-employment benefits .

Currency translation reserve

Changes in currency translation reserve

	2016	2015	2014
Opening balance	538	741	2,161
Unrealised revaluations	76	263	53
Realised gains/losses transferred to the statement of profit or loss			481
Impact of deconsolidation of NN Group		26	
Impact of partial divestment of NN Group		8	
Impact of IPO NN Group			52
Exchange rate differences	156	432	940
Closing balance	**770**	**538**	**741**

Unrealised revaluations relates to changes in the value of hedging instruments that are designated as net investment hedges.

In 2014, Realised gains/losses transferred to the statement of profit or loss related to the deconsolidation of Voya at the end of March 2014.

Reference is made to Note 51 Other events , for further information on NN Group divestment transactions.

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Share of associates, joint ventures and other reserves

Changes in share of associates, joint ventures and other reserves

	2016	2015	2014
Opening balance	1,733	1,483	1,644
Result for the year	124	131	83
Transfer to/from retained earnings	265		161
Changes in composition of the group and other changes	113	119	83
Closing balance	**2,235**	**1,733**	**1,483**

Treasury shares

Changes in treasury shares

	Amount			Number		
	2016	2015	2014	**2016**	2015	2014
Opening balance	18	46	32	1,464,025	4,302,122	3,994,055
Purchased/sold	10	28	6	863,391	2,810,775	351,252
Share-based payments					27,322	43,185
Other			8			
Closing balance	**8**	**18**	**46**	**600,634**	**1,464,025**	**4,302,122**

Retained earnings

Changes in retained earnings

	2016	2015	2014
Opening balance	22,231	19,370	24,074
Transfer to/from share of associates and joint ventures reserves	265		161
Result for the year	4,851	4,795	880
Impact of partial divestment of NN Group		258	
Dividend	2,521	1,393	
Coupon on Undated subordinated notes issued by NN Group		19	
Repurchase premium			750

Impact of IPO NN Group			1,327
Employee stock options and share plans	75	105	87
Changes in composition of the group and other changes		369	3,755
Closing balance	**24,371**	**22,231**	**19,370**

In 2016, a cash dividend of EUR 2,521 million was paid to the shareholders of ING Group.

In 2015, a cash dividend of EUR 1,393 million was paid to the shareholders of ING Group.

In 2015, the coupon on Undated subordinated notes issued by NN Group comprised coupon payments for the five months, until deconsolidation of NN Group at the end of May 2015.

In 2014, the repurchase premium of EUR 750 million was paid in relation to the repayment of the EUR 1,500 million non-voting equity securities to the Dutch State.

In 2014, Impact of IPO NN Group related to the IPO of NN Group in July 2014.

In 2014, Changes in composition of the group and other changes included a decrease of EUR 3,279 million in Retained earnings as result of the transfer of part of the Net defined benefit asset/liability remeasurement reserve due to the financial independence of the Dutch ING Pension Fund. Furthermore, Changes in composition of the group and other changes also included EUR 87 million related to the deconsolidation of Voya.

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For further information, reference is made to Note 30 Dividend per ordinary share and Note 51 Other events .

Non-controlling interests

In 2015, Non-controlling interests decreased with EUR 7,434 million and was mainly related to the deconsolidation of NN Group. Reference is made to Note 51 Other events .

Ordinary shares - Restrictions with respect to dividend and repayment of capital

The following equity components cannot be freely distributed: Revaluation reserves (being Available for-sale and other, Cash flow hedge and Property in own use), Currency translation reserve, Share of associates and joint ventures reserve, and the part of the Retained earnings that relate to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN.

As at 31 December 2016, an amount of EUR 1,325 million (2015: EUR 1,201 million; 2014: EUR 1,070 million) related to the former Stichting Regio Bank and the former Stichting Vakbondsspaarbank SPN is included.

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its ordinary shares. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. ING Groep N.V. is legally required to create a non-distributable reserve insofar as profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions which apply to those subsidiaries, associates and joint ventures themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V., including minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries, associates and joint ventures operate, or other limitations which may exist in certain countries.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from ING Group s subsidiaries, associates and joint ventures are as follows:

Legally distributable reserves

2016	ING Bank	Other	Total
Equity invested	41,004	171	41,175
Non-distributable reserves	7,310	69	7,379
Legally distributable reserves	33,694	**102**	**33,796**

Legally distributable reserves

2015	ING Bank	Other	Total
Equity invested	37,997	160	38,157
Non-distributable reserves	6,824		6,824
Legally distributable reserves	**31,173**	**160**	**31,333**

Legally distributable reserves

2014	ING Bank	NN Group	Other	Total
Equity invested	34,328	13,495	122	47,945
Non-distributable reserves	7,411	6,134		13,545
Legally distributable reserves	**26,917**	**7,361**	**122**	**34,400**

Furthermore there are restrictions to the ability of subsidiaries, associates and joint ventures to distribute reserves to ING Groep N.V. as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate.

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Notes to the Consolidated financial statements - continued

Minimum capital requirements for ING Group s subsidiaries, associates and joint ventures are as follows:

Minimum capital requirements subsidiaries, associates and joint ventures

2016	ING Bank	Other	Total
Equity invested	41,004	171	41,175
Total regulatory capital	54,362		
Required minimum total regulatory capital*	30,664		
	23,698		

* Requirement is based on Pillar I only.

Minimum capital requirements subsidiaries, associates and joint ventures

2015	ING Bank	Other	Total
Equity invested	37,997	160	38,157
Total regulatory capital	51,052		
Required minimum total regulatory capital*	29,243		
	21,809		

* Requirement is based on Pillar I only.

Minimum capital requirements subsidiaries, associates and joint ventures

2014	ING Bank	NN Group	Other	Total
Equity invested	34,328	13,495	122	47,945
Total regulatory capital	46,015	14,173		
Required minimum total regulatory capital*	27,501	4,683		
	18,514	**9,490**		

* Requirement is based on Pillar I only.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries, associates and joint ventures to ING Groep N.V. there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group s subsidiaries, associates and joint ventures. These considerations and limitations include, but are not restricted to, rating agency and regulatory views, which can change over time; it is not possible to disclose a reliable quantification of these limitations. Reference is also made to the Capital Management section.

Without prejudice to the authority of the Executive Board to allocate profits to reserves and to the fact that the ordinary shares are the most junior securities issued by ING Groep N.V., no specific dividend payment restrictions with respect to ordinary shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of ordinary shares. Capital may be repaid to the holders of ordinary shares pursuant to an amendment of ING Groep N.V. s Articles of Association whereby the ordinary shares are written down.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

Cumulative preference shares (not issued)

Pursuant to the Articles of Association of ING Groep N.V. the authorised cumulative preference share capital consists of 4.6 billion cumulative preference shares, of which none have been issued. The par value of these cumulative preference shares is EUR 0.01.

The cumulative preference shares rank before the ordinary shares in entitlement to dividend and to distributions upon liquidation of ING Groep N.V.

Notes to the Consolidated financial statements - continued

The dividend on the cumulative preference shares will be equal to a percentage, calculated on the amount compulsorily paid up or yet to be paid up. This percentage shall be equal to the average of the Euro OverNight Index Average (EONIA) as calculated by the European Central Bank during the financial year for which the distribution is made; this percentage being weighted on the basis of the number of days for which it applies, and increased by 2.5 percentage points.

If and to the extent that the profit available for distribution is not sufficient to pay the dividend referred to above in full, the shortfall will be made up from the reserves insofar as possible. If, and to the extent that, the dividend distribution cannot be made from the reserves, the profits earned in subsequent years shall first be used to make up the shortfall before any distribution may be made on shares of any other category.

ING Groep N.V. s Articles of Association make provision for the cancellation of cumulative preference shares. Upon cancellation of cumulative preference shares and upon liquidation of ING Groep N.V., the amount paid up on the cumulative preference shares will be repaid together with the accrued dividend as well as any dividend shortfall in preceding years, insofar as this shortfall has not yet been made up.

Cumulative preference shares - Restrictions with respect to dividend and repayment of capital

ING Groep N.V. is subject to legal restrictions regarding the amount of dividends it can pay to the holders of its cumulative preference shares, when issued. Pursuant to the Dutch Civil Code, dividends can only be paid up to an amount equal to the excess of the company s own funds over the sum of the paid-up capital, and reserves required by law.

Moreover, ING Groep N.V. s ability to pay dividends is dependent on the dividend payment ability of its subsidiaries, associates and joint ventures. ING Groep N.V. is legally required to create a non-distributable reserve insofar as profits of its subsidiaries, associates and joint ventures are subject to dividend payment restrictions which apply to those subsidiaries, associates and joint ventures themselves. Such restrictions may among others be of a similar nature as the restrictions which apply to ING Groep N.V., including minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries, associates and joint ventures operate, or other limitations which may exist in certain countries.

No specific dividend payment restrictions with respect to the cumulative preference shares exist.

Furthermore, ING Groep N.V. is subject to legal restrictions with respect to repayment of capital to holders of cumulative preference shares. Capital may be repaid to the holders of cumulative preference shares pursuant to (i) an amendment of ING Groep N.V. s Articles of Association whereby the cumulative preference shares are written-down or (ii) a resolution to redeem and cancel the cumulative preference shares.

Pursuant to the Dutch Civil Code, capital may only be repaid if none of ING Groep N.V. s creditors opposes such a repayment within two months following the announcement of a resolution to that effect.

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Notes to the Consolidated financial statements - continued

Notes to the Consolidated statement of profit or loss

20 Net interest income

Net interest income

	2016	2015	2014
Interest income on loans	18,407	19,185	20,131
Interest income on impaired loans	69	42	56
Negative interest on liabilities	175	64	6
Total interest income on loans	**18,651**	**19,291**	**20,193**
Interest income on available-for-sale securities	1,659	1,785	2,008
Interest income on held-to-maturity securities	97	101	83
Interest income on trading derivatives	16,081	17,130	17,476
Interest income on other trading portfolio	728	677	851
Interest income on non-trading derivatives (no hedge accounting)	623	788	1,520
Interest income on non-trading derivatives (hedge accounting)	6,213	6,394	5,977
Other interest income	130	155	61
Interest income	**44,182**	**46,321**	**48,169**
Interest expense on deposits from banks	283	302	338
Interest expense on customer deposits	3,160	4,177	5,361
Interest expense on debt securities	2,290	2,535	2,503
Interest expense on subordinated loans	816	901	1,185
Interest expense on trading derivatives	16,263	17,405	17,381
Interest expense on other trading portfolio	210	207	329
Interest expense on non-trading derivatives (no hedge accounting)	652	652	1,255
Interest expense on non-trading derivatives (hedge accounting)	6,720	7,181	7,123
Other interest expense	363	360	390
Negative interest on assets	184	40	
Interest expense	**30,941**	**33,760**	**35,865**
Net interest income	**13,241**	**12,561**	**12,304**

In 2016, the increase in total average assets (with the cash pool balances still calculated on a net basis in order to provide consistent information), combined with an improvement of the net interest margin, lead to an increase of EUR 680 million in net interest income. The increase in total average assets was mainly attributable to an increase in customer lending, partly offset by a decline in financial assets at fair value through profit or loss.

In 2015, the increase in total average assets (excluding Assets held for sale), combined with a decline in the net interest margin lead to an increase of EUR 257 million in net interest income. The increase in total average assets (with the cash pool balances still calculated on a net basis) was partly attributable to an increase in customer lending.

In 2014, the decrease in total average assets, combined with an improvement in the net interest margin lead to an increase of EUR 603 million in net interest income. The decrease in total average assets (with the cash pool balances still calculated on a net basis) was partly attributable to the deconsolidation of ING Vysya and the additional transfers of assets of WestlandUtrecht Bank to NN Group. In 2016, total interest income and total interest expense for non-trading derivatives used in hedge accounting and items not valued at fair value through profit or loss amounts to EUR 26,652 million and EUR 13,498 million respectively (2015: EUR 27,682 million and EUR 15,207 million; 2014: EUR 28,270 million and EUR 16,569 million).

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Notes to the Consolidated financial statements - continued

21 Net commission income

Fee and commission income

	2016	2015	2014
Funds transfer	1,103	1,014	1,006
Securities business	497	570	538
Insurance broking	181	185	172
Asset management fees	91	74	158
Brokerage and advisory fees	477	436	370
Other	1,232	1,132	1,053
	3,581	**3,411**	**3,297**

Included in Other, are commission fees of EUR 202 million (2015: EUR 171 million; 2014: EUR 163 million) in respect of bank guarantees, commission fees of EUR 44 million (2015: EUR 30 million; 2014: EUR 23 million) in respect of underwriting syndication loans, structured finance fees of EUR 110 million (2015: EUR 87 million; 2014: EUR 89 million), and collective instruments distributed but not managed by ING of EUR 145 million (2015: EUR 145 million; 2014: EUR 19 million).

Fee and commission expenses

	2016	2015	2014
Funds transfer	403	385	355
Securities business	166	158	151
Insurance broking	8	18	14
Asset management fees	5	2	10
Brokerage and advisory fees	166	140	87
Other	400	390	407
	1,148	**1,093**	**1,004**

22 Valuation results and net trading income

Valuation results and net trading income

	2016	2015	2014

Securities trading results	369	1,352	673
Derivatives trading results	706	600	386
Change in fair value of derivatives relating to			
fair value hedges	170	81	140
cash flow hedges (ineffective portion)	16	31	35
hedges of net investment in foreign entities (ineffective portion)			
other non-trading derivatives	2,103	830	143
Change in fair value of assets and liabilities (hedged items)	244	67	190
Valuation results on assets and liabilities designated at fair value through profit or loss (excluding trading)	79	372	583
Foreign exchange transactions results	898	820	452
Other	24	66	15
	1,545	**2,445**	**49**

Securities trading results includes the results of market making in instruments such as government securities, equity securities, corporate debt securities, money-market instruments, and interest rate derivatives such as swaps, options, futures and forward contracts. Foreign exchange transactions results include gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities.

The portion of trading gains and losses relating to trading securities still held as at 31 December 2016 amounts to EUR 232 million (2015: EUR 147 million; 2014: EUR 18 million).

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Notes to the Consolidated financial statements - continued

Net trading income relates to trading assets and trading liabilities which include assets and liabilities that are classified under IFRS as Trading but are closely related to servicing the needs of the clients of ING. ING offers products that are traded on the financial markets to institutional clients, corporate client,s and governments. 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 borrowing (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 4 Financial assets at fair value through profit or loss and Note 14 Financial liabilities at fair value through profit or loss for information on trading liabilities.

The majority of the risks involved in security and currency trading is economically hedged with derivatives. The securities trading results are partly offset by results on these derivatives. The result of these derivatives is included in Derivatives trading results.

ING Group s trading books are managed based on internal limits and comprise a mix of products with results which could be offset. The results are presented in various lines within the statement of profit or loss. Reference is made to Note 20 Net interest income and Note 22 Valuation results and net trading income .

In 2016, Net trading income - Derivatives trading results includes EUR 36 million CVA/DVA adjustments on trading derivatives, compared with EUR 98 million CVA/DVA adjustment in 2015 (2014: EUR 205 million).

Valuation results and net trading income includes the fair value movements on derivatives (used for both hedge accounting and economically hedging exposures) as well as the changes in the fair value of assets and liabilities included in hedging relationships as hedged items. In addition, Valuation results and net trading income includes the results on assets and liabilities designated as at fair value through profit or loss.

Included in the Valuation results and net trading income are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates.

Valuation results and net trading income are reflected in the Consolidated statement of cash flows in the line Result before tax - Adjusted for: other .

The Valuation results on assets and liabilities designated at fair value through profit or loss includes fair value changes on certain issued debt securities. Valuation results on assets and liabilities designated at fair value through profit or loss were mainly due to changes in the fair value of financial liabilities driven by changes in market conditions and changes in own credit risk as disclosed in Note 14 Financial liabilities at fair value through profit or loss . Market conditions include in particular credit spread developments.

In 2016, Valuation results on assets and liabilities designated at fair value through profit or loss (excluding trading) includes fair value adjustments on own issued notes amounting to EUR 70 million (2015: EUR 404 million; 2014: EUR 632 million), of which DVA adjustment on own issued notes in 2016 amounted to EUR 50 million (2015: EUR 163 million; 2014: EUR 98 million).

In 2016, Valuation results and net trading income includes EUR 33 million related to warrants on the shares of Voya and NN Group (2015: EUR 19 million on Voya and NN Group; 2014: EUR 180 million on Voya). Reference is made to Note 4 Financial assets at fair value through profit or loss .

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Notes to the Consolidated financial statements - continued

23 Investment income

Investment income

	2016	2015	2014
Dividend income	87	63	36
Realised gains/losses on disposal of debt securities	107	123	142
Impairments of available-for-sale debt securities		17	
Reversal of impairments of available-for-sale debt securities			1
Realised gains/losses and impairments of debt securities	**107**	**106**	**143**
Realised gains/losses on disposal of equity securities	236	67	62
Impairments of available-for-sale equity securities	13	117	14
Realised gains/losses and impairments of equity securities	**223**	**50**	**48**
Income from and fair value gains/losses on investment properties	4	4	9
Investment income	**421**	**123**	**236**

In 2016, Dividend income includes EUR 16 million received as a result of the merger between Equens SE and Worldline. Reference is made to Note 5 Investments .

In 2016, Realised gains/losses on disposal of equity securities includes mainly EUR 163 million comprising the gain on disposal of the shares held in VISA Europe Limited. For further information on the disposal of shares held in VISA Europe Limited, reference is made to Note 51 Other events .

Impairments and reversals of impairments on investments are presented within Investment income, which is part of Total income.

Impairments and reversals of impairment on investments per segment

	Impairments			Reversal of impairments		
	2016	2015	2014	**2016**	2015	2014
Retail Belgium		5				
Wholesale Banking	8	129	14			1
Corporate Line Banking	5					
	13	**134**	**14**			**1**

24 Result on disposal of group companies

Result on disposal of group companies

	2016	2015	2014
Baring Private Equity Partners	1	7	
ING Lease UK		5	
ING Vysya			202
Other			7
	1	**2**	**195**

In 2015, the Result on disposal of group companies included EUR 7 million realised deferred profits on divestments in prior periods related to Baring Private Equity Partners and a release of goodwill related to the disposal of the remaining portfolios of ING Lease (UK). Reference is made to Note 9 Intangible assets .

In 2016, 2015, and 2014 the result on divestments of NN Group and the divestment of Voya was not included above but included in Net result from disposal of discontinued operations. Reference is made to Note 28 Discontinued operations , Note 46 Consolidated companies and businesses acquired and divested and Note 51 Other events .

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Notes to the Consolidated financial statements - continued

In 2014, Result on disposal of group companies included EUR 202 million profit on the deconsolidation of ING Vysya. Reference is made to Note 7 Investments in associates and joint ventures , Note 33 Segments , Note 34 Information on geographical areas , Note 49 Related parties .

25 Other income

Other income

	2016	2015	2014
Net operating lease income	2	2	5
Income from investment property development projects	1	8	
Other	170	56	92
	173	**66**	**97**

Net operating lease income comprises income of EUR 21 million (2015: EUR 19 million; 2014: EUR 23 million) and depreciation of EUR 19 million (2015: EUR 17 million; 2014: EUR 18 million).

In 2016, Other income Other includes EUR 16 million related to the disposal of shares held in VISA Europe Limited. For further information on the VISA transaction, reference is made to Note 51 Other events . The remainder of the Other income - Other is made up of a number of small items, which are individually insignificant.

In 2015, Other income Other was mainly impacted by positive results on the sale of loans and property, partly offset by non-recurring charges related to increased prepayments and renegotiations of mortgages.

26 Staff expenses

Staff expenses

	2016	2015	2014
Salaries	3,224	3,221	3,149
Pension costs and other staff-related benefit costs	344	275	1,218
Social security costs	512	514	514
Share-based compensation arrangements	75	76	60
External employees	636	634	623
Education	70	68	57
Other staff costs	178	184	167

5,039	**4,972**	**5,788**

In 2015, there was a new collective labour agreement in the Netherlands resulting in reduced rights to future benefits. The impact of this was included in Pension and other staff-related benefits costs.

In 2014, a charge of EUR 871 million was recognised in Pensions costs related to the Dutch defined benefit plan settlement which resulted in the ING Pension Fund being financially independent from ING. Reference is made to Note 35 Pension and other post-employment benefits for information on pensions.

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Notes to the Consolidated financial statements - continued

Number of employees

	Netherlands			International			Total		
	2016	2015[1]	2014	**2016**	2015[1]	2014	**2016**	2015[1]	2014
Continuing operations - average number of employees at full time equivalent basis	13,660	14,586	15,209	38,283	38,134	40,736	51,943	52,720	55,945
Discontinued operations - average number of employees at full time equivalent basis		2,652	6,851		2,181	5,635		4,833	12,486
Total average number of employees at full time equivalent basis	**13,660**	**17,238**	**22,060**	**38,283**	**40,315**	**46,371**	**51,943**	**57,553**	**68,431**

1 The average number of employees includes, on an average basis, employees of the discontinued operations of NN Group. NN Group was deconsolidated from ING Group at the end of May 2015. Staff expenses, for the five months ended May 2015 was included in the Consolidated statement of profit or loss of ING Group in the line item Net result from discontinued operations. Reference is made to Note 28 Discontinued operations .

The decrease in the number of employees in 2016, compared to 2015, is mainly as a result of the deconsolidation of NN Group at the end of May 2015 and reorganisations.

Share-based compensation arrangements include EUR 69 million (2015: EUR 63 million; 2014: EUR 57 million) relating to equity-settled share-based payment arrangements and EUR 6 million (2015: EUR 13 million; 2014: EUR 3 million) relating to cash-settled share-based payment arrangements.

Remuneration of senior management, Executive Board and Supervisory Board

Reference is made to Note 49 Related parties .

Stock option and share plans

ING Groep N.V. has granted option rights on ING Groep N.V. shares and conditional rights on shares to a number of senior executives (members of the Executive Board, general managers and other officers nominated by the Executive Board), and to a considerable number of employees of ING Group. The purpose of the option and share schemes, apart from promoting a lasting growth of ING Group, is to attract, retain and motivate senior executives and staff.

ING grants three types of share awards, deferred shares, performance shares, and upfront shares. The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. The number of ING shares that would ultimately be granted at the end of a performance period is dependent on ING s performance over that period. Upfront and deferred shares, with retention periods as soon as it becomes unconditional, were awarded to the Management Board members of ING Bank and NN Group (in periods prior to 2015), as well as identified staff. ING has the authority to apply a hold back to awarded but unvested shares and a claw-back to vested shares.

The information presented below on stock options and share plans on ING Groep N.V. shares includes personnel employed by entities that are presented as continuing operations as well as held for sale and discontinued operations.

In 2016, 61,532 share awards (2015: nil; 2014: nil) were granted to the members of the Executive Board of ING Groep N.V., 170,749 share awards (2015: 106,013; 2014: 206,650 including NN Group) were granted to the Management Board of ING Bank. To senior management and other employees 6,590,039 share awards (2015: 6,088,240; 2014: 6,814,308 including NN Group) were granted. In 2014, all outstanding ING Groep N.V. share awards held by the Management Board, senior management and other employees of NN Group N.V. were converted into awards on NN Group N.V. shares. The conversion was performed at an exchange factor such that the fair value of the outstanding awards was unchanged. The outstanding option awards on ING Groep N.V. shares which are fully vested, remained unchanged. As of 2014, new awards to the Management Board, senior management and other employees of NN Group are all based on NN Group N.V. shares.

Every year, the ING Group Executive Board decides whether the option and share schemes are to be continued and, if so, to what extent. In 2010, the Group Executive Board decided not to continue the option scheme as from 2011. The existing option schemes, up and until 2010, will be run off in the coming years.

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Notes to the Consolidated financial statements - continued

The option rights are valid for a period of ten years. Option rights that are not exercised within this period, lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a pre-determined continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Groep N.V. shares at the date on which the options are granted.

The obligations with regard to the existing stock option plan and the share plans will be funded either by cash or by newly issued shares at the discretion of ING Group.

Changes in option rights outstanding

	Options outstanding (in numbers)			Weighted average exercise price (in euros)		
	2016	2015	2014	**2016**	2015	2014
Opening balance	37,311,131	52,559,607	68,292,442	17.54	16.95	16.02
Exercised	1,583,072	3,251,420	4,796,012	5.40	5.97	5.97
Forfeited	244,959	410,847	610,095	16.89	18.05	15.91
Expired	9,908,188	11,586,209	10,326,728	24.67	18.13	16.35
Closing balance	**25,574,912**	**37,311,131**	**52,559,607**	15.53	17.54	16.95

As per 31 December 2016, total options outstanding consists of 16,861,694 options (2015: 27,657,794; 2014: 41,685,852) relating to equity-settled share-based payment arrangements and 8,713,218 options (2015: 9,653,337; 2014: 10,873,755) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised during 2016 is EUR 10.43 (2015: 13.62; 2014: EUR 10.60).

All option rights are vested

Summary of stock options outstanding and exercisable

	Options outstanding and exercisable as at 31 December			**Weighted average remaining contractual life**			**Weighted average exercise price**		
Range of exercise price in euros	**2016**	2015	2014	**2016**	2015	2014	**2016**	2015	2014
0.00 5.00	3,086,449	3,817,765	4,893,647	2.21	3.22	3.76	2.88	2.89	2.88
5.00 10.00	5,248,657	6,213,999	8,527,415	3.21	4.21	5.21	7.37	7.37	7.38
10.00 15.00	137,706	139,841	145,974	1.71	2.72	3.71	14.35	14.35	14.35

15.00	20.00	9,460,529	10,061,265	21,003,814	1.21	2.21	1.54	16.83	16.87	17.33
20.00	25.00	7,295,027	7,608,639	8,117,391	0.23	1.24	1.79	24.62	24.62	24.57
25.00	30.00	346,544	9,469,622	9,871,366	0.38	0.30	1.29	25.42	25.17	25.18
		25,574,912	**37,311,131**	**52,559,607**						

All options outstanding are exercisable. As at 31 December 2016, the aggregate intrinsic value of options outstanding and exercisable is EUR 64 million (2015: EUR 68 million; 2014: EUR 68 million).

Cash received from stock option exercises for the year ended 31 December 2016 is EUR 7 million (2015: EUR 16 million; 2014: EUR 24 million).

The fair value of options granted is recognised as an expense under staff expenses and is allocated over the vesting period of the options. The fair values of the option awards have been determined using a European Black Scholes formula. This model takes the risk free interest rate into account (2.02% to 4.62%), as well as the lifetime of the options granted (5 to 9 years), the exercise price, the current share price (EUR 2.90 EUR 25.42), the expected volatility of the certificates of ING Groep N.V. shares (25% 84%) and the expected dividend yield (0.94% to 8.99%). The source for implied volatilities used for the valuation of the stock options is ING s trading system. The implied volatilities in this system are determined by ING s traders and are based on market data implied volatilities not on historical volatilities.

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Changes in share awards

	Share awards (in numbers)			Weighted average grant date fair value (in euros)		
	2016	2015	2014	**2016**	2015	2014
Opening balance	8,737,014	12,706,264	25,059,992	10.04	7.37	7.23
Granted	6,822,320	6,194,253	7,020,958	10.20	13.00	9.78
Performance effect	543,891	453,699	1,003,576	8.68	6.40	6.02
Vested	7,569,972	10,374,131	19,444,374	9.65	8.38	8.01
Forfeited	150,290	243,071	933,888	10.58	8.91	6.83
Closing balance	**8,382,963**	**8,737,014**	**12,706,264**	10.44	10.04	7.37

In July 2014, 2.8 million share awards of ING Group were converted in NN Group share awards, these are presented in the line Vested.

As at 31 December 2016, the share awards consists of 7,294,633 share awards (2015: 7,485,634; 2014: 11,282,373) relating to equity-settled share-based payment arrangements and 1,088,330 share awards (2015: 1,251,380; 2014: 1,423,891) relating to cash-settled share-based payment arrangements.

The fair value of share awards granted is recognised as an expense under staff expenses and is allocated over the vesting period of the share awards. As of 2015, ING Group no longer has share awards containing a market based performance condition. Previously, the fair values of share awards containing a market based performance condition have been determined using a Monte Carlo simulation based valuation model. The model takes into account the risk free interest rate, the current stock prices, expected volatilities and current dividend yields of the performance peer group used to determine ING s Total Shareholder Return (TSR) ranking.

As at 31 December 2016, total unrecognised compensation costs related to share awards amount to EUR 41 million (2015: EUR 45 million; 2014: EUR 36 million). These costs are expected to be recognised over a weighted average period of 1.4 years (2015: 1.4 years; 2014: 1.3 years).

27 Other operating expenses

Other operating expenses

	2016	2015	2014
Depreciation of property and equipment	330	327	326
Computer costs	740	753	705
Office expenses	580	618	620
Travel and accommodation expenses	169	166	140
Advertising and public relations	404	418	405

External advisory fees	320	246	212
Audit and non-audit services	19	18	18
Postal charges	48	56	59
Regulatory costs	845	620	712
Addition/(unused amounts reversed) of provision for reorganisations and relocations	1,189	165	469
Intangible amortisation and (reversals of) impairments	294	298	325
Other	637	669	480
	5,575	**4,354**	**4,471**

Other operating expenses include lease and sublease payments in respect of operating leases of EUR 310 million (2015: EUR 281 million; 2014: EUR 239 million) in which ING Group is the lessee. No individual operating lease has terms and conditions that significantly affect the amount, timing and certainty of the consolidated cash flows of the Group.

Audit and non-audit services

Audit and non-audit services include fees for services provided by the Group s auditors.

Notes to the Consolidated financial statements - continued

Fees of Group s auditors