

ING GROEP NV
Form 20-F
March 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

(Mark One)

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 2017

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

ING GROEP N.V.

(Exact name of Registrant as specified in its charter)

ING GROUP

(Translation of Registrant's name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

ING Groep N.V. Bijlmerplein 888

1102 MG Amsterdam

P.O. Box 1800, 1000 BV Amsterdam

The Netherlands

(Address of principal executive offices)

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Bijlmerplein 888

1102 MG Amsterdam

The Netherlands

(Name, Telephone, E-mail and/or Facsimile number 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
6.125% ING Perpetual Debt Securities	New York Stock Exchange
6.375% ING Perpetual Debt Securities	New York Stock Exchange
3.150% Fixed Rate Senior Notes due 2022	New York Stock Exchange
3.950% Fixed Rate Senior Notes due 2027	New York Stock Exchange
Floating Floating Rate Senior Notes due 2022	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	3.885.790.441
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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

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 registrant has submitted electronically and posted on its corporate Web site, 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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer
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Emerging growth company If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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	Other
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by the International Accounting Standards Board

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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PRESENTATION OF INFORMATION

In this Annual Report, and unless otherwise stated or the context otherwise dictates, references to ING Groep N.V. , ING Groep and ING Group refer to ING Groep N.V. and references to ING , the Company , the Group , we and us refer to ING Groep N.V. and its consolidated subsidiaries. ING Groep N.V.'s primary banking subsidiary is ING Bank N.V. (together with its consolidated subsidiaries, ING Bank). References to Executive Board and Supervisory Board refer to the Executive Board or Supervisory Board of ING Groep N.V., respectively.

ING presents its consolidated financial statements in euros, the currency of the European Economic and Monetary Union. Unless otherwise specified or the context otherwise requires, references to \$, US\$ and Dollars are to the United States dollars and references to EUR are to euros.

Solely for the convenience of the reader, this Annual Report contains translations of certain euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the translated amounts actually represent such dollar or euro amounts, as the case may be, or could be converted into U.S. dollars or euros, as the case may be, at the rates indicated or at any other rate. Therefore, unless otherwise stated, the translations of euros into U.S. dollars have been made at the rate of EUR 1.00 = U.S. \$ 1.2298, the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on 23 February 2018.

ING prepares financial information in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) 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. ING Group's accounting policies and its use of various options under IFRS-IASB are described under Principles of valuation and determination of results in the consolidated financial statements. In this document the term IFRS-IASB is used to refer to IFRS-IASB as applied by ING Group.

The published 2017 Annual Accounts of ING Group, however, 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).

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.

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Other than for SEC reporting, ING Group intends to continue to prepare its Annual Accounts under IFRS-EU. A reconciliation between IFRS-EU and IFRS-IASB is included in Note 2.1 to the consolidated financial statements.

In addition to the consolidated financial statements, which are prepared in accordance with IFRS-IASB, this Annual Report on Form 20-F contains certain measures that are not defined by generally accepted accounting principles (GAAP) such as IFRS. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating segment performance and allocating resources. We believe that presentation of this information, along with comparable GAAP measures, is useful to investors because it allows investors to understand the primary method used by management to evaluate performance on a meaningful basis. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, including the consolidated financial statements. Non-GAAP financial measures as defined by us may not be comparable with similarly titled measures used by other companies.

Certain amounts set forth herein, such as percentages, may not sum due to rounding.

This Annual Report on Form 20-F contains inactive textual addresses to Internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this Annual Report on Form 20-F.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made in the sections hereof entitled Information on the Company , Dividends , Operating and Financial Review and Prospects , Selected Statistical Information on Banking Operations and Quantitative and Qualitative Disclosure of Market Risk are statements of future expectations and other forward-looking statements. These statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to a number of factors, including, without limitation,

changes in general economic conditions, in particular economic conditions in ING's core markets,

changes in performance of financial markets, including developing markets,

potential consequences of European Union countries leaving the European Union or a break-up of the euro,

changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit and capital markets generally, including changes in borrower and counterparty creditworthiness,

changes affecting interest rate levels,

changes affecting currency exchange rates,

changes in investor and customer behavior,

changes in general competitive factors,

changes in laws and regulations and the interpretation and application thereof,

geopolitical risks and policies and actions of governmental and regulatory authorities,

changes in standards and interpretations under International Financial Reporting Standards (IFRS) and the application thereof,

conclusions with regard to purchase accounting assumptions and methodologies, and other changes in accounting assumptions and methodologies including changes in valuation of issued securities and credit market exposure,

changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards,

changes in credit ratings,

the outcome of current and future legal and regulatory proceedings,

operational risks, such as system disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business,

the inability to protect our intellectual property and infringement claims by third parties,

the inability to retain key personnel,

business, operational, regulatory, reputation and other risks in connection with climate change,

ING's ability to achieve its strategy, including projected operational synergies and cost-saving programmes and

the other risks and uncertainties detailed in Item 3. Key Information Risk Factors in this Annual Report on Form 20-F and our filings with the SEC which are available on the SEC's website at <http://www.sec.gov>.

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

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PART I

Item 1. Identity of Directors, Senior Management And Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected financial data

The selected consolidated financial information data is derived from the IFRS-IASB consolidated financial statements of ING Group.

The following information should be read in conjunction with, and is qualified by reference to the Group's consolidated financial statements and other financial information included elsewhere herein.

Table of Contents**IFRS-IASB Consolidated Income Statement Data**

for the years ended 31 December	2017	2017	2016	2015	2014	2013
In millions except amounts per share and ratios	US\$	EUR	EUR	EUR	EUR	EUR
Continuing operations						
Interest income	53,976	43,890	44,182	46,321	48,169	51,394
Interest expense	37,193	30,243	30,941	33,760	35,865	39,693
Net interest result	16,783	13,647	13,241	12,561	12,304	11,701
Net commission income	3,333	2,710	2,433	2,318	2,293	2,204
Other income	2,746	2,233	2,228	3,128	617	3,191
Total income	22,862	18,590	17,902	18,007	15,214	17,096
Addition to loan loss provision	831	676	974	1,347	1,594	2,289
Operating expenses	12,088	9,829	10,614	9,326	10,259	8,834
Total expenses	12,919	10,505	11,588	10,673	11,853	11,123
Result before tax from continuing operations	9,943	8,085	6,314	7,334	3,361	5,973
Taxation	3,122	2,539	1,705	1,924	859	1,498
Net result from continuing operations	6,820	5,546	4,609	5,410	2,502	4,475
Net result from discontinued operations	0	0	441	-76	-1,375	680
Net result attributable to Non-controlling interests	101	82	75	408	164	265
Net result ING Group IFRS-IASB attributable to Equityholders of the parent	6,719	5,464	4,975	4,926	963	4,890
Addition to shareholders equity	3,518	2,861	2,415	2,411	493	4,890
Dividend	3,201	2,603	2,560	2,515	470	
Basic earnings per share	1.73	1.41	1.28	1.27	0.25	1.14
Diluted earnings per share	1.73	1.41	1.28	1.27	0.25	1.14
Dividend per share	0.82	0.67	0.66	0.65	0.12	

Number of Ordinary Shares outstanding in the market (in millions)

3,884.8 3,884.8 3,877.9 3,868.7 3,854.6 3,836.9

Euro amounts have been translated into U.S. dollars at the exchange rate of \$ 1.2298 to EUR 1.00, the Noon Buying Rate in New York City on 23 February 2018 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

The 2016 and prior years results of NN Group and Voya have been transferred to Result from discontinued operations. For details on Discontinued operations, see Note 28 of Note 2.1 to the consolidated financial statements.

Dividend reported is the amount declared over the year.

Basic earnings per share amounts have been calculated based on the weighted average number of ordinary shares of ING Groep N.V. (Ordinary Shares) outstanding during the relevant period. For purposes of this calculation, Ordinary Shares held by Group companies are deducted from the total number of Ordinary Shares in issue. The effect of dilutive securities is also adjusted.

Table of Contents**IFRS-IASB Consolidated Balance Sheet Data**

as at 31 December	2017	2017	2016	2015	2014	2013
In billions except amounts per share and ratios	US\$	EUR	EUR	EUR	EUR	EUR
Total assets	1,037.8	843.9	842.2	1,002.3	1,174.8	1,076.6
Financial assets at fair value through profit or loss	151.5	123.2	122.1	138.0	144.1	165.2
Loans and advances to customers	703.3	571.9	560.2	696.9	698.2	527.0
Customer deposits						
Savings accounts	393.2	319.7	315.7	305.9	295.5	289.8
Other deposits and funds	270.6	220.1	207.2	358.3	374.1	184.5
Customer deposits	663.8	539.8	522.9	664.2	669.7	474.3
Deposits from banks	45.3	36.8	32.0	33.8	30.0	27.2
Insurance and investment contracts:						111.8
Shareholders' equity	59.5	48.4	47.3	45.0	47.6	42.3
Non-voting equity securities						1.5
Shareholders' equity per ordinary share	15.3	12.47	12.19	11.62	12.36	11.02
Share capital in number of shares (in millions)	3,885.8	3,885.8	3,878.5	3,870.2	3,858.9	3,840.9

Euro amounts have been translated into U.S. dollars at the exchange rate of \$ 1.2298 to EUR 1.00, the Noon Buying Rate in New York City on 23 February 2018 for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. Loans and advances to customers and Customer deposits, as at 31 December 2015 and 2014, are adjusted as a result. Amounts for the year 2013 have not been adjusted.

Shareholders' equity per share amounts have been calculated based on the number of Ordinary Shares outstanding in the market at the end of the respective periods.

Table of Contents**Exchange rates**

Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the U.S. dollar amounts received by owners of shares or ADSs on conversion of dividends, if any, paid in euros on the shares and will affect the U.S. dollar price of the ADSs on the New York Stock Exchange.

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rate for U.S. dollars into euros based on the Noon Buying Rate.

U.S. dollars per euro

Calendar Period	Period End¹	Average Rate²	High	Low
2013	1.3771	1.3303	1.3816	1.2774
2014	1.2101	1.3210	1.3927	1.2101
2015	1.0859	1.1032	1.2015	1.0524
2016	1.0552	1.1029	1.1516	1.0375
2017	1.2022	1.1387	1.2041	1.0416

- 1 The noon buying rates at such dates differ from the rates used in the preparation of ING's consolidated financial statements as of such date. Reference is made to Note 2.1.1 Notes to the accounting policies.
- 2 The average of the noon buying rates on the last business day of each full calendar month during the period. The table below shows the high and low exchange rate of the U.S. dollar per euro for the last six months.

	High	Low
September 2017	1.2041	1.1747
October 2017	1.1847	1.158
November 2017	1.1936	1.1577
December 2017	1.2022	1.1725
January 2018	1.2488	1.1922
February 2018	1,2482	1,2211

The Noon Buying Rate for euros on 29 December 2017 was EUR 1.00 = U.S. \$ 1.2022 and the Noon Buying Rate for euros on 23 February 2018 was EUR 1.00 = U.S. \$ 1.2298.

B. Capitalization and indebtedness

This item does not apply to annual reports on Form 20-F.

C. Reasons for the offer and use of proceeds

This item does not apply to annual reports on Form 20-F.

Table of Contents**D. Risk Factors**

Any of the risks described below could have a material adverse effect on the business activities, financial condition, results of operations and prospects of ING. Additional risks of which the Company is not presently aware, or that are currently viewed as less material than the risks described below, could also affect the business operations of ING and have a material adverse effect on ING's business activities, financial condition, results of operations and prospects. The market price of ING shares or other securities could decline due to any of those risks including the risks described below, and investors could lose all or part of their investments. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences.

Risks related to financial conditions, market environment and general economic trends

Because we are a financial services company conducting business on a global basis, our revenues and earnings are affected by the volatility and strength of the economic, business, liquidity, funding and capital markets environments specific to the geographic regions in which we conduct business. The ongoing turbulence and volatility of such factors have adversely affected, and may continue to adversely affect, the profitability, solvency and liquidity of our business.

Factors such as interest rates, securities prices, credit spreads, liquidity spreads, exchange rates, consumer spending, changes in client behaviour, business investment, real estate values and private equity valuations, government spending, inflation or deflation, the volatility and strength of the capital markets, political events and trends, and terrorism all impact the business and economic environment and, ultimately, our solvency, liquidity and the amount and profitability of business we conduct in a specific geographic region. We are particularly exposed to financial, economic, market and political conditions in Germany and the Benelux countries, from which we derive a significant portion of our revenues. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, higher corporate and private debt defaults, lower business investments and lower consumer spending, the demand for banking products is usually adversely affected and ING's reserves and provisions typically would increase, resulting in overall lower earnings. Securities prices, real estate values and private equity valuations may also be adversely impacted, and any such losses would be realised through profit and loss and shareholders equity. We also offer a number of financial products that expose us to risks associated with fluctuations in interest rates, securities prices, corporate and private default rates, the value of real estate assets, exchange rates and credit spreads.

See also Interest rate volatility and other interest rate changes may adversely affect our profitability, Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations, and Market conditions observed over the past few years may increase the risk of loans being impaired. We are exposed to declining property values on the collateral supporting residential and commercial real estate lending below.

In case one or more of the factors mentioned above adversely affects the profitability of our business, this might also result, among other things, in the following:

reserve and provisions inadequacies, which could ultimately be realised through profit and loss and shareholders equity;

the write-down of tax assets impacting net results and/or equity;

impairment expenses related to goodwill and other intangible assets, impacting net results;

movements in risk weighted assets for the determination of required capital;

changes in credit valuation adjustments and debt valuation adjustments; and/or

additional costs related to maintenance of higher liquidity buffers and/or collateral placements.

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Shareholders' equity and our net result may be significantly impacted by turmoil and volatility in the worldwide financial markets. Negative developments in financial markets and/or economies and changes in the regulatory environment in which we operate have in the past had and may in the future have a material adverse impact on shareholders' equity and net result, including as a result of the potential consequences listed above. See "Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations" and "We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions, the application of such laws and/or regulations on the consequences of any non-compliance with such laws and/or regulations may reduce our profitability" below.

Continued risk of resurgence of turbulence and ongoing volatility in the financial markets and the economy generally have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations.

General

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. In 2008 and through early 2009, the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. Concerns over the slow economic recovery, the European sovereign debt crisis, the outcome of the negotiations between the UK and the EU following the UK referendum on EU membership (Brexit), the potential exit of other countries from the Eurozone, increasing political instability in Europe, unemployment, the availability and cost of credit, credit spreads, quantitative easing within the Eurozone through bond repurchases, the ECB's targeted longer-term refinancing operation (TLTRO), potential changes in U.S. laws, regulations and policies governing financial regulation, foreign trade and foreign investment following the inauguration of a new U.S. administration in January 2017, the level of U.S. national debt and the U.S. housing market, inflation/deflation levels, energy costs and geopolitical tensions around North Korea all have contributed to increased volatility and diminished expectations for the economy and the markets in recent years.

These conditions have generally resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. These concerns have since expanded to include a broad range of fixed income securities, including those rated investment grade and especially the sovereign debt of some EEA countries and the U.S., the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes, such as public and private equity, and real estate sectors. As a result of these and other factors, sovereign governments across the globe, including in regions where the Group operates, have also experienced budgetary and other financial difficulties, which have resulted in changes in economic policy including the implementation of austerity measures, downgrades in credit rating by credit agencies, planned or implemented bail-out measures and, on occasion, civil unrest (for further details regarding sovereign debt concerns, see "U.S. Sovereign Credit Rating" and "European sovereign debt crisis and the United Kingdom's withdrawal from the European Union" below). As a result, the market for fixed income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. In addition, the confluence of these and other factors has resulted in volatile foreign exchange markets. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also continued to experience heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage, private equity and credit markets particularly affected. These events and market upheavals, including high levels of volatility, have had and may continue to have an adverse effect on our revenues and results of operations, in part because we have a large investment portfolio and extensive real estate activities around the world.

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In addition, the confidence of customers in financial institutions is being tested. Consumer confidence in financial institutions may, for example, decrease due to our or our competitors' failure to communicate to customers the terms of, and the benefits to customers of, complex or high-fee financial products. Reduced confidence could have an adverse effect on our revenues and results of operations, including withdrawal of deposits. Because a significant percentage of our customer deposit base is originated via Internet banking, a loss of customer confidence may result in a rapid withdrawal of deposits over the Internet.

The aforementioned impacts have arisen primarily as a result of valuation and impairment issues arising in connection with our investments in real estate (both in and outside the U.S.) and private equity, exposures to European sovereign debt and to U.S. mortgage-related structured investment products, including sub-prime and Alt-A residential and commercial mortgage-backed securities, collateralised debt obligations and collateralised loan obligations, private equity and other investments. In many cases, the markets for investments and instruments have been and remain highly illiquid, and issues relating to counterparty credit ratings and other factors have exacerbated pricing and valuation uncertainties. Valuation of such investments and instruments is a complex process involving the consideration of market transactions, pricing models, management judgment and other factors, and is also impacted by external factors, such as underlying mortgage default rates, interest rates, rating agency actions and property valuations. Although we continue to monitor our exposures, there can be no assurance that we will not experience further negative impacts to our shareholders' equity, solvency position, liquidity, financial condition or profit and loss accounts in future periods.

European sovereign debt crisis and the United Kingdom's withdrawal from the European Union

Market concerns over the direct and indirect exposure of European banks and insurers to the sovereign debt of several EU Member States since 2010 have resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. The sovereign debt crisis has also highlighted issues relating to the strength of the banking sector in Europe and the Euro. In addition, risks and ongoing concerns about the crisis in the Italian banking sector and its potential spill-over effect into other Member States, deterioration of the political situation in Turkey, as well as the possible default by one or more Member States could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European and other financial institutions, including us. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, and such capital may not be available. We are exposed to the risk of downgrades of European sovereign ratings or corporate ratings, because they may affect our financial costs and, as a result, our profitability. Market disruptions in Europe related to sovereign debt and the banking sector continue to be a threat to global capital markets and remains a challenge to global financial stability. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses, following which they would require additional capital, which may not be available. Market and economic disruptions stemming from the crisis in Europe also have affected, and may continue to affect, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of, and default on, consumer debt and home prices, among other factors. There can be no assurance that market disruptions in Europe, including the increased cost of funding for certain government and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. To the extent uncertainty regarding the economic recovery continues to negatively impact consumer confidence and consumer credit factors, our business and results of operations could be significantly and adversely impacted. Additionally, extreme prolonged market events, such as the recent global credit crisis, could cause us to incur significant losses and may lead to USD funding shortages for EU Banks.

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In addition, although the UK is not a member state of the Eurozone, the decision of the UK to leave the EU remains a major political and economic event and may further destabilize the Eurozone. The outcome of the negotiations between the UK and the EU remains highly uncertain as does its economic and operational impact on the Group and its counterparties. Concerns regarding other Member States' potential exit from the EU or the Eurozone also have emerged following the Brexit referendum. The possible exit from the EU and/or the Eurozone of one or more European states and/or the replacement of the Euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of Euro-denominated contracts to which we (or our counterparties) are a party and thereby materially and adversely affect our and/or our counterparties' liquidity, financial condition and operations. Such uncertainties may include the risk that (i) an obligation that was expected to be paid in Euros is redenominated into a new currency (which may not be easily converted into other currencies without incurring significant cost), (ii) currencies in some Member States may depreciate relative to others, (iii) former EU and/or Eurozone Member States may impose capital controls that would make it complicated or illegal to move capital out of such countries, and/or (iv) some courts (in particular, courts in countries that have left the EU and/or the Eurozone) may not recognise and/or enforce claims denominated in Euros (and/or in any replacement currency). These factors, combined with volatile oil prices, reduced business and consumer confidence and/or continued high unemployment, have negatively affected the economy of main geographic regions where we conduct our business. Our results of operations, liquidity position, capital position and investment portfolio are exposed to these risks and may be adversely affected as a result.

U.S. Sovereign Credit Rating

In 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term sovereign credit rating on the U.S. from AAA to AA+. Although other ratings agencies have not similarly lowered the long-term sovereign credit rating of the U.S., they have put that credit rating on watch. Amid the lingering uncertainty over the long-term outlook for the fiscal position and the future economic performance of the U.S. within the global economy and potential future budgetary restrictions in the U.S., there continues to be a perceived risk of a future sovereign credit ratings downgrade of the U.S. government, including the rating of U.S. Treasury securities. On 15 October 2013, Fitch Ratings placed the U.S.'s AAA credit rating under rating watch negative in response to the financial crisis, a step that would precede an actual downgrade, which was however upgraded again to stable in March 2014. It is foreseeable that the ratings and perceived creditworthiness of instruments issued, insured or guaranteed by institutions, agencies or instrumentalities directly linked to the U.S. government could also be correspondingly affected by any such downgrade. Instruments of this nature are key assets on the balance sheets of financial institutions and are widely used as collateral by financial institutions to meet their day-to-day cash flows in the short-term debt market. The impact of any further downgrades to the sovereign credit rating of the U.S. government or a default by the U.S. government to satisfy its debt obligations likely would create broader financial turmoil and uncertainty, which would weigh heavily on the global financial system and could consequently result in a significant adverse impact to the Group.

Adverse capital and credit market conditions as well as changes in regulations may impact our ability to access liquidity and capital, as well as the cost of liquidity, credit and capital.

Adverse capital market conditions have in the past affected, and may in the future affect, our cost of borrowed funds and our ability to borrow on a secured and unsecured basis, thereby impacting our ability to support and/or grow our businesses. Furthermore, although interest rates are at or near historically low levels, since the recent financial crisis, we have experienced increased funding costs due in part to the withdrawal of perceived government support of such institutions in the event of future financial crises. In addition, liquidity in the financial markets has also been negatively impacted as market participants and market practices and structures adjust to new regulations.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced

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to curtail our operations and our business will suffer. The principal sources of our funding include a variety of short- and long-term instruments, including deposit fund, repurchase agreements, commercial paper, medium- and long-term debt, subordinated debt securities, capital securities and stockholders' equity.

In the event that our current resources do not satisfy our needs, we may need to seek additional financing. The availability of additional financing will depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favourable terms, or at all. Any actions we might take to access financing may, in turn, cause rating agencies to re-evaluate our ratings.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counterbalance the consequences of losses or increased regulatory capital and rating agency capital requirements. This could force us to (i) delay raising capital, (ii) reduce, cancel or postpone payment of dividends on our shares, (iii) reduce, cancel or postpone interest payments on our other securities, (iv) issue capital of different types or under different terms than we would otherwise, or (v) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, cash flows, regulatory capital and rating agency capital position could be materially adversely affected by disruptions in the financial markets.

We are subject to the jurisdiction of a variety of banking regulatory bodies, some of which have proposed regulatory changes in recent years that, if implemented, would hinder our ability to manage our liquidity in a centralised manner. As a holding company, ING Groep N.V. is dependent for liquidity on payments from its subsidiaries, which are subject to restrictions, as described in . As a holding company, ING Groep N.V. is dependent for liquidity on payments from its subsidiaries, many of which are subject to regulatory and other restrictions. . Furthermore, regulatory liquidity requirements in certain jurisdictions in which we operate are generally becoming more stringent, including those forming part of the Basel III requirements discussed further below under . We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability , undermining our efforts to maintain this centralised management of our liquidity. These developments may cause trapped pools of liquidity and capital, resulting in inefficiencies in the cost of managing our liquidity and solvency, and hinder our efforts to integrate our balance sheet.

Interest rate volatility and other interest rate changes may adversely affect our profitability.

Changes in prevailing interest rates may negatively affect our business, including the level of net interest revenue we earn, and the levels of deposits and the demand for loans. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, financial condition and results of operations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations. On the other hand, recent concerns regarding negative interest rates and the low level of interest rates generally may negatively impact our net interest income, which may have an adverse impact on our profitability.

Declining interest rates or a prolonged period of low interest rates, as is currently the case, may result in:

lower earnings over time on investments, as reinvestments will earn lower rates;

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increased prepayment or redemption of mortgages and fixed maturity securities in our investment portfolios, as well as increased prepayments of corporate loans. This as borrowers seek to borrow at lower interest rates potentially combined with lower credit spreads. Consequently, we may be required to reinvest the proceeds into assets at lower interest rates;

lower profitability as the result of a decrease in the spread between client rates earned on assets and client rates paid on savings, current account and other liabilities;

higher costs for certain derivative instruments that may be used to hedge certain of our product risks;

lower profitability since we may not be able to fully track the decline in interest rates in our savings rates;

lower profitability since we may not always be entitled to impose surcharges to customers to compensate for the decline in interest rates;

lower profitability since we may have to pay a higher premium for the defined contribution scheme in the Netherlands for which the premium paid is dependent on interest rate developments and DNB's methodology for determining the ultimate forward rate;

lower interest rates may cause asset margins to decrease thereby lowering our results of operations. This may for example be the consequence of increased competition for investments as result of the low rates, thereby driving margins down; and/or

(depending on the position) a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity and our profitability.

All these effects may be amplified in a negative rate environment. In such environment there may also be the risk that a rate is to be paid on assets, while there is no comparable rate paid on the liabilities. This will reduce our results of operations then.

Rapidly increasing interest rates may result in:

a decrease in the demand for loans;

higher interest rates to be paid on debt securities that we have issued or may issue on the financial markets from time to time to finance our operations and on savings, which would increase our interest expenses and reduce our results of operations;

higher interest rates can lead to lower investments prices reduce the revaluation reserves, thereby lowering IFRS equity and the capital ratios. Also the lower securities value leads to a loss of liquidity generating capacity which needs to be compensated by attracting new liquidity generating capacity which reduces our results of operations;

prepayment losses if prepayment rates are lower than expected or if interest rates increase too rapidly to adjust the accompanying hedges; and/or

(depending on the position) a significant collateral posting requirement associated with our interest rate hedge program;

Inflation and deflation may negatively affect our business.

A sustained increase in the inflation rate in our principal markets would have multiple impacts on us and may negatively affect our business, solvency position and results of operations. For example, a sustained increase in the inflation rate may result in an increase in market interest rates, which may:

decrease the estimated fair value of certain fixed income securities that we hold in our investment portfolios, resulting in:

reduced levels of unrealised capital gains available to us, which could negatively impact our solvency position and net income, and/or

a decrease in collateral values,

result in increased withdrawal of certain savings products, particularly those with fixed rates below market rates,

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require us, as an issuer of securities, to pay higher interest rates on debt securities that we issue in the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results of operations.

A significant and sustained increase in inflation has historically also been associated with decreased prices for equity securities and sluggish performance of equity markets generally. A sustained decline in equity markets may:

result in impairment charges to equity securities that we hold in our investment portfolios and reduced levels of unrealised capital gains available to us which would reduce our net income, and

lower the value of our equity investments impacting our capital position.

In addition, a failure to accurately anticipate higher inflation and factor it into our product pricing may result in a systemic mispricing of our products, which would negatively impact our results of operations.

On the other hand, deflation experienced in our principal markets may also adversely affect our financial performance. In recent years, the risk of low inflation and even deflation (i.e., a continued period with negative rates of inflation) in the Eurozone has materialized. Deflation may erode collateral values and diminish the quality of loans and cause a decrease in borrowing levels, which would negatively affect our business and results of operations.

We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability.

We are subject to detailed banking laws and government regulation in the jurisdictions in which we conduct business. Regulatory agencies and supervisors have broad administrative power and enforcement capabilities over many aspects of our business, which may include liquidity, capital adequacy, permitted investments, ethical issues, money laundering, anti-terrorism measures, privacy, recordkeeping, product and sale suitability, marketing and sales practices, remuneration policies, personal conduct and our own internal governance practices. Also, regulators and other supervisory authorities in the European Union (EU), the United States (U.S.) and elsewhere continue to scrutinise payment processing and other transactions and activities of the financial services industry through laws and regulations governing such matters as money laundering, anti-terrorism financing, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures.

Our revenues and profitability and those of our competitors have been and will continue to be impacted by requirements relating to capital, additional loss-absorbing capacity, leverage, minimum liquidity and long-term funding levels, requirements related to resolution and recovery planning, derivatives clearing and margin rules and levels of regulatory oversight, as well as limitations on which and, if permitted, how certain business activities may be carried out by financial institutions.

Regulators around the world have increased their focus on the regulation of the financial services industry. Most of the principal markets where we conduct our business have adopted, or are currently in the implementation phase of, major legislative and/or regulatory initiatives in response to the financial crisis. Governmental and regulatory authorities in the Netherlands, Germany, Belgium, the United Kingdom, the EU, the U.S. and elsewhere have implemented, or are in the process of implementing measures to increase regulatory control in their respective financial markets and financial services sectors, including, among others, in the areas of prudential rules, liquidity and capital requirements, executive compensation, crisis and contingency management, bank taxes and financial reporting. Additionally,

governmental and regulatory authorities in the Netherlands, in the EU and the U.S. as well as in a multitude of jurisdictions where we conduct our business continue to consider new mechanisms to limit the occurrence and/or severity of future economic crises (including proposals to restrict the size of financial institutions operating in their jurisdictions and/or the scope of operations of such institutions). Furthermore, we are subject to different tax regulations in each of the jurisdictions where we conduct business. Changes in tax laws (including case

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law) could increase our taxes and our effective tax rates and could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, which could have a material adverse effect on our business, results of operations and financial condition. Changes in tax laws could also make certain ING products less attractive, which could have adverse consequences for our businesses and results.

Compliance with applicable laws and regulations is resources-intensive, and changes in laws and regulations may materially increase costs. We expect the scope and extent of regulation in the jurisdictions in which we conduct our business, as well as regulatory oversight and supervision, to generally continue to increase. However, we cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have on our business, results of operations and financial condition. Regulation is becoming increasingly more extensive and complex and the industries in which we operate are increasingly coming under the scrutiny of regulators, and affected companies, including ING, are required to meet the demands, which often necessitate additional resources. These regulations can limit our activities, among others, through stricter net capital, customer protection and market conduct requirements and restrictions on the businesses in which we can operate or invest.

Despite our efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, we face the risk of non-compliance with applicable laws and regulations. There are a number of risks in areas where applicable regulations may be unclear, subject to multiple interpretations or under development, or where regulations may conflict with one another, or where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action, which could materially harm our results of operations and financial condition. If we fail to address, or appear to fail to address, any of these matters appropriately, our reputation could be harmed and we could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages brought against us or subject us to enforcement actions, fines and penalties.

Basel III, CRD IV and CRD V

In December 2010, the Basel Committee on Banking Supervision (BCBS) announced higher global minimum capital standards for banks and introduced a new global liquidity standard and a new leverage ratio. The BCBS 's package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long-term funding a subject banking institution must hold at any given moment and limit leverage. Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the total common equity Tier 1 ratio, when fully phased in on 1 January 2019, will rise to 7%. Basel III also introduced a countercyclical buffer as an extension of the capital conservation buffer, which would allow national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III has strengthened the definition of capital that will have the effect of disqualifying many hybrid securities, including those issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements for trading, derivative and securitisation activities as part of a number of reforms to the Basel II framework. In addition, the BCBS and the Financial Stability Board (FSB) published measures in October 2011 that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions (SIFIs) and so-called Global SIFIs (G-SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. In particular in November 2015 the FSB published the final Total Loss-Absorbing Capacity (TLAC) standard for G-SIFIs, which aims for G-SIFIs to have sufficient loss-absorbing and

recapitalisation capacity available in resolution. The implementation of these measures began in 2012, and full implementation is targeted for 2019, with the TLAC requirements to apply from 2019. ING Bank has been designated by the BCBS and the FSB as one of the global systemically important banks (G-SIBs), forming part of the

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G-SIFIs, since 2011, and by the Dutch Central Bank (De Nederlandsche Bank N.V., DNB) and the Dutch Ministry of Finance as a domestic SIFI since November 2011. The Basel III proposals and their potential impact are monitored via semi-annual monitoring exercises in which ING Bank participates. As a result of such monitoring exercises and ongoing discussions within the regulatory environment, revisions have been made to the original Basel III proposals as was the case with the revised Liquidity Coverage Ratio in January 2013 and the revised Net Stable Funding Ratio and Leverage Ratio in January 2014. In December 2017, the Basel III revisions were formally announced by the Basel Committee on Banking Supervision (BCBS). These new prudential rules for banks consist of a revision to the standardised approach to credit risk, the introduction of a capital floor based on standardised approaches, the use of internal models, limitation of options for modelling operating risks, and new rules for the establishment of risk-weighted items and unused credit lines at the banks. With a long implementation phase and the transposition into EU regulation still pending, some question marks remain on how this will shape up.

For European banks, the Basel III requirements were implemented through the Capital Requirements Regulation and Capital Requirements Directive IV (CRD IV Regulation and CRD IV Directive, respectively and together the CRR), which were adopted by the EC in June 2013 following approval by the European Parliament in April 2013. The CRD IV Regulation entered into force on 28 June 2013 and the CRD IV Directive on 17 July 2013, and all banks and investment firms in the EU (as opposed to the scope of the Basel III requirements, which apply to internationally active banks) were required to apply the new rules from 1 January 2014 in phases, with full implementation by 1 January 2019. The full impact of these rules, and any additional requirements for SIFIs or G-SIFIs, if and as applicable to the Group, will depend on how the CRD IV Directive is transposed into national laws in each Member State, including the extent to which national regulators and supervisors set more stringent limits and additional capital requirements or surcharges. In the Netherlands, the CRD IV Directive has been implemented through amendments to the Financial Supervision Act. In the next phase for regulatory requirements for banks' risk and capital management, the regulators are focusing on the required capital calculations across banks. Since the start of the financial crisis there has been much debate on the risk-weighted capitalisation of banks, and specifically on whether internal models are appropriate for such purposes. These developments have suggested that stricter rules may be applied by a later framework. The BCBS released several consultative papers, containing proposals to change the methodologies for the calculation of capital requirements and is expected to issue further standards in this respect. Within these proposals BCBS suggests methods to calculate RWA using more standardised or simpler methods in order to achieve greater comparability, transparency and consistency. In November 2016, the EC proposed substantial amendments (commonly referred to as CRD V) to the CRR (including the CRD IV Directive), the BRRD and the Single Resolution Mechanism Regulation to, among other things, implement these revisions in the EU legislation. Legislation is expected to be finalised in 2018. These proposals will likely impact the capital requirements for currently reported exposures (e.g. credit risk via revised standardised RWA floor) but may also lead to new capital requirements. The proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of non-preferred senior debt, the minimum requirement for own funds and eligible liabilities (MREL) and the integration of the TLAC standard into EU legislation. The proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the proposals and new or amended elements may be introduced through the course of the legislative process. Until the proposals are in final form, it is uncertain how the proposals will affect the Group or holders of its securities. The current proposals, as well as on the economic and financial environment at the time of implementation and beyond, can have a material impact on ING's operations and financial condition and they may require the Group to seek additional capital.

Single Supervisory Mechanism

In November 2014, the European Central Bank (ECB) assumed responsibility for a significant part of the prudential supervision of banks in the Eurozone, including ING Bank, following a year-long preparatory phase which included an in-depth comprehensive assessment of the resilience and balance sheets of the biggest banks in the Eurozone. ING Bank was among the seven Dutch institutions covered by the assessment (out of 130 institutions overall). While the

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ECB has assumed the supervisory tasks conferred on it by the Single Supervisory Mechanism (SSM) Regulation, the DNB will still continue to play a big role in the supervision of ING Group and ING Bank.

In its capacity as principal bank supervisor in the European Union, the ECB has extensive supervisory and investigatory powers, including the ability to issue requests for information, to conduct regulatory investigations and on-site inspections, and to impose monetary and other sanctions. For example, under the SSM, the regulators with jurisdiction over the Group, including the ECB, may conduct stress tests and have discretion to impose capital surcharges on financial institutions for risks that are not otherwise recognised in risk-weighted assets or other surcharges depending on the individual situation of the bank and take or require other measures, such as restrictions on or changes to the Group's business. Competent regulators may also, if the Group fails to comply with regulatory requirements, in particular with minimum capital requirements (including buffer requirements) or with liquidity requirements, or if there are shortcomings in its governance and risk management processes, prohibit the Group from making dividend payments to shareholders or distributions to holders of its regulatory capital instruments. Generally, a failure to comply with the new quantitative and qualitative regulatory requirements could have a material adverse effect on the Group's business, financial condition and results of operations.

In order to make capital levels more comparable and to reduce variability in banks' internal models, the European Central Bank (ECB) introduced the Targeted Review of Internal Models (TRIM) in June 2017 to assess reliability and comparability between banks' models. The TRIM aims to create a level playing field by harmonising the regulatory guidance around internal models, and the ultimate goal is to restore trust in the use of internal models by European banks. The operating consequences of the TRIM exercise have been significant. The TRIM is expected to finalise in 2019, and could impact ING through more stringent regulation on internal models. There is also heightened supervisory attention for the credit quality of loans to corporates and/or households. These exercises could impact the RWA we recognise for certain assets.

Dodd-Frank Act

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or Dodd-Frank Act) was signed into law in the U.S. The Dodd-Frank Act effects comprehensive changes to the regulation of financial services in the U.S. and has implications for non-U.S. financial institutions with a U.S. presence or that transact with U.S. counterparties, such as ING. Dodd-Frank directs existing and newly created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, most of which are in place. Because some of the regulations have only recently taken effect or are yet to be finalized, we cannot predict with certainty how such regulations will affect the financial markets generally and impact the Group's business, credit rating, results of operations, cash flows or financial condition or liquidity. Key aspects of Dodd-Frank that we have identified to date as possibly having an impact on the Group include the aspects set out below:

Title VII of Dodd-Frank created a new framework for regulation of the over-the-counter derivatives markets and certain market participants which has affected and could continue to affect various activities of the Group and its subsidiaries. ING Capital Markets LLC, a wholly-owned indirect subsidiary of ING Bank N.V., has registered with the U.S. Commodity Futures Trading Commission (CFTC) as a swap dealer. The SEC is expected to adopt regulations establishing registration and margin and capital requirements for security-based swaps. Along with the still indeterminate effective date for SEC regulations on, among others, reporting, registration, and internal and external business conduct with respect to security-based swaps, these are likely to materially impact ING. Additionally, the CFTC is expected to adopt capital requirements for swap dealers, although the specific requirements, and any available exemptions, have not been finalized. If these requirements are applicable to ING, and no exemptions are available, it is possible that these requirements will be difficult for ING to comply with and may, as a result, materially and adversely impact ING's ability to operate as a swap dealer in the U.S. Other CFTC regulatory

requirements, already implemented, include registration of swap dealers, business conduct rules imposed on swap dealers, requirements that some categories of swaps be centrally executed on regulated trading facilities and cleared through regulated clearing houses, and initial and variation margin requirements for uncleared swaps. In

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addition, new position limits requirements for market participants that have been proposed and may be contained in final regulations to be adopted by the CFTC could limit ING's position sizes in swaps referencing specified commodities and similarly limit the ability of counterparties to utilize certain of our products by narrowing the scope of hedging activity that is permitted for commercial end users and the trading activity of speculators. All of the foregoing areas of regulation of the derivative markets and market participants will likely result in increased cost of hedging and other trading activities, both for ING and its customers, which could expose our business to greater risk and could reduce the size and profitability of our customer business. In addition, the imposition of these regulatory restrictions and requirements, could result in reduced market liquidity, which could in turn increase market volatility and the risks and costs of hedging and other trading activities.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are required to consider whether stable value contracts should be regulated as swap derivative contracts. In the event that stable value contracts become subject to such regulation, certain aspects of our business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

Dodd-Frank established the Consumer Financial Protection Bureau (CFPB) as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes. The CFPB has significant authority to implement and enforce federal consumer financial laws, including the new protections established under Dodd-Frank, as well as the authority to identify and prohibit unfair, deceptive and abusive acts and practices. In addition, the CFPB has broad supervisory, examination and enforcement authority over certain consumer products, such as mortgage lending. Insurance products and services are not within the CFPB's general jurisdiction, and broker-dealers and investment advisers are not subject to the CFPB's jurisdiction when acting in their registered capacity.

On 10 December 2013, various federal agencies approved a final rule implementing Section 619 of Dodd-Frank, commonly referred to as the Volcker Rule and which places limitations and restrictions on the ability of U.S. FDIC insured depository institutions and non-U.S. banks with branches or agencies in the U.S. that become subject to the U.S. Bank Holding Company Act, as well as their affiliates, to engage in certain proprietary trading or sponsor and invest in private equity and hedge funds. As a general matter, such organisations have until July 2017 to comply with the prohibition on certain fund activities and until July 2015 to comply with the proprietary trading prohibitions. In the event that we or one of our affiliates becomes subject to the Volcker Rule, our trading and investment activities could be so restricted. It is expected that we will experience significant additional compliance and operational costs and may be prohibited from engaging in certain activities we currently conduct if the Volcker Rule becomes applicable to us and our affiliates.

For instance, ING Group's wholly owned subsidiary, ING Bank, may at some point in time consider whether to establish a branch office in the U.S. If ING Bank were to establish a U.S. branch, we would be subject to supervision and regulation by the Federal Reserve under various laws and various restrictions on our activities under those laws, including the Bank Holding Company Act of 1956, as amended, and the International Banking Act of 1978, and, as a consequence, such supervision and regulation, including such restrictions on activities could materially impact our operations. These would include, among others, the Volcker Rule and heightened supervisory requirements and prudential standards. Dodd-Frank also includes various securities law reforms that may affect the Group's business practices and the liabilities and/or exposures associated therewith, including a provision intended to authorise the SEC to impose on broker-dealers fiduciary duties to their customers, as applied to investment advisers under existing law, which new standard could potentially expose certain of ING's U.S. broker-dealers to increased risk of SEC enforcement actions and liability. In 2011, the SEC staff released a study on this issue, and members of the SEC's Investor Advisory Committee voted in November 2013 to recommend the proposal implementing a uniform fiduciary standard for most brokers and registered investment advisers to the SEC.

Although the full impact of Dodd-Frank and its implementing regulations cannot be determined at this time, many of their requirements have had and may continue to have profound and/or adverse consequences for the financial

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services industry, including for us. Dodd-Frank, in its current form, could make it more expensive for us to conduct business, require us to make changes to our business model or satisfy increased capital requirements, subject us to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under Dodd-Frank and have a material effect on our results of operations or financial condition.

In 2017, the U.S. Secretary of Treasury issued several reports, after consultation with other financial regulatory agencies, evaluating the current financial regulatory framework against core principles set out by the new U.S. administration. The reports have recommended some revisions to Dodd-Frank and related rules and regulations. There can be no assurance that these or any other future reforms will not significantly impact our business, financial condition and results of operations.

Foreign Account Tax Compliance Act and other US withholding tax regulations

Under provisions of U.S. tax law commonly referred to as FATCA, non-U.S. financial institutions are required to provide certain information on their U.S. account holders and/or certain U.S. investors to the U.S. Internal Revenue Service (IRS). A 30% withholding tax is imposed on withholdable payments made to non-compliant non-U.S. financial institutions. In addition to FATCA, non-U.S. financial institutions are required to comply with other U.S. withholding and reporting requirements on certain payments. The Group intends to take all necessary steps to comply with FATCA and other U.S. withholding tax regulations. ING is for example updating and strengthening its withholding compliance programme and reviewing, amending and filing the necessary tax returns and information reports.

Many countries, including the Netherlands, have entered into agreements (intergovernmental agreements or IGAs) with the U.S. to facilitate the type of information reporting required under FATCA. While the existence of IGAs will not eliminate the risk of the withholding described above, these agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. IGAs will often require financial institutions in those countries to report information on their U.S. account holders to the taxing authorities of those countries, who will then pass the information to the IRS.

If the Group is unable to comply with requirements imposed under IGAs or otherwise comply with FATCA (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to account holders or other investors, or as a result of the failure of account holders or other investors to provide requested information), certain payments to the Group may be subject to withholding under FATCA. Payments made with respect to certain products offered by members of the Group may also be or become subject to withholding under FATCA. The possibility of such withholding and the need for account holders and investors to provide certain information may adversely affect the sales of certain of the Group's products. In addition (i) compliance with the terms of IGAs and with FATCA, with any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA, and (ii) offering products subject to U.S. withholding, may substantially increase the Group's compliance costs. Because legislation and regulations implementing FATCA and the IGAs remain under development, the future impact of this law on the Group is uncertain. Failure to comply with FATCA and other U.S. withholding tax regulations could harm our reputation and could subject the Group to enforcement actions, fines and penalties, which could have a material adverse effect on our business, reputation, revenues, results of operations, financial condition and prospects. For additional information with respect to specific proceedings, see Note 45 Legal proceedings to the consolidated financial statements.

Common Reporting Standard

Similarly, the Organisation for Economic Cooperation and Development (OECD) has developed a Common Reporting Standard (CRS) and model competent authority agreement to enable the multilateral and automatic exchange of financial account information. The CRS will require financial institutions to identify and report the tax

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residency and account details of non-resident customers to the relevant authorities in jurisdictions adhering to CRS. As of 2 November 2016, more than 100 jurisdictions, including the Netherlands, have signed a multilateral competent authority agreement to automatically exchange information pursuant to the CRS. The majority of countries where ING has a presence has committed to CRS. The EU has made CRS mandatory for all its member states. The first information exchange by the Netherlands (as for most of the signatories) occurred in 2017.

Bank Recovery and Resolution Regimes

In June 2012, the Intervention Act (Wet bijzondere maatregelen financiële ondernemingen) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Intervention Act mainly amended the Dutch Financial Supervision Act and the Dutch Insolvency Act allowing Dutch authorities to take certain actions with respect to a failing bank or insurer that cannot be wound up under ordinary insolvency rules due to concerns regarding the stability of the overall financial system. It comprised two categories of measures. The first category of measures related to banks or insurers facing serious financial difficulties and included measures related to the timely and efficient liquidation of the failing institution. This set of measures gave the DNB the power to transfer customer deposits, assets and/or liabilities other than deposits and issued shares of an entity to third parties or to a bridge bank if the DNB deemed that, in respect of the relevant institution, there were signs of adverse developments with respect to its funds, solvency, liquidity or technical provisions and it could be reasonably foreseen that such developments would not be sufficiently or timely reversed. The DNB was also granted the power to influence the internal decision-making of failing institutions through the appointment of an undisclosed administrator. The second category of measures can be triggered if the stability of the financial system is in serious and immediate danger as a result of the failure of a Dutch financial institution and includes measures intended to safeguard the stability of the financial system as a whole. This set of measures granted authority to the Dutch Minister of Finance to take immediate measures or proceed to expropriation of assets or liabilities, or shares in the capital, of failing financial institutions. Within the context of the resolution tools provided in the Intervention Act, holders of debt securities of a bank subject to resolution could also be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

In addition, on 26 November 2015 the Act on implementing the European framework for the recovery and resolution of banks and investment firms (Implementatiewet Europees kader voor herstel en afwikkeling van banken en beleggingsondernemingen) came into force, implementing the Bank Recovery and Resolution Directive (BRRD) and partly amending the Intervention Act. Certain measures introduced by the Intervention Act were replaced, with respect to banking institutions, with measures based on the BRRD and the SRM Regulation, as described below. The BRRD came into effect on 2 July 2014. It includes, among other things, the obligation for institutions to draw up a recovery plan and for resolution authorities in the Member States to draw up a resolution plan, the resolution authorities' power to take early intervention measures and the establishment of a European system of financing arrangements. The BRRD confers extensive resolution powers on the resolution authorities, including the power to require the sale of (part of a) business, to establish a bridge institution, to separate assets and to take bail-in measures. The stated aim of the BRRD is to provide supervisory authorities and resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. In November 2016, the EC proposed amendments to the BRRD regarding the ranking of unsecured debt instruments in national insolvency proceedings (to include a new category of non-preferred senior debt) and to enhance the stabilisation tools with the introduction of a moratorium tool.

The powers granted to resolution authorities under the BRRD include, among others, the introduction of a statutory write-down and conversion power and a bail-in power, which gives the relevant resolution authority the power to, inter alia, (i) cancel existing shares and/or dilute existing shareholders by converting relevant capital instruments or eligible liabilities into shares of the surviving entity, (ii) cancel all or a portion of the principal amount of, or interest

on, certain unsecured liabilities (which could include certain securities that have been or will be issued by ING) of a failing financial institution or group and/or (iii) convert certain debt claims (which could include certain securities that have been or will be issued by ING) into another security, including ordinary shares of the surviving group

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entity, if any. None of these actions would be expected to constitute an event of default under those securities entitling holders to seek repayment.

In addition to a write-down and conversion power and a bail-in power, the powers granted to the resolution authority under the BRRD include the two categories of measures introduced by the Intervention Act, as described above. In addition, the BRRD stipulates, among the broader powers to be granted to the relevant resolution authority, that it will confer powers to the relevant resolution authority to amend or alter the maturity date or interest payment date of debt instruments, including by suspending payment for a temporary period, or to amend the interest amount payable under such instruments. None of these actions would be expected to constitute an event of default under those debt instruments or other eligible liabilities entitling holders to seek repayment.

Many of the rules implementing the BRRD are contained in detailed technical and implementing rules, the exact text of which is subject to agreement and adoption by the relevant EU legislative institutions. Therefore, for some rules, there remains uncertainty regarding the ultimate nature and scope of these resolution powers and, when implemented, how they would affect us and the securities that have been issued or will be issued by us. Accordingly, it is not possible to assess the full impact of the BRRD on ING and on holders of any securities issued or to be issued by ING, and there can be no assurance that, once it is fully implemented, the manner in which it is applied or the taking of any actions by the relevant resolution authority contemplated in the BRRD would not adversely affect the rights of holders of the securities issued or to be issued by ING, the price or value of an investment in such securities and/or ING's ability to satisfy its obligations under such securities.

Finally, as part of the move towards a full banking union, on 19 August 2014, the Single Resolution Mechanism (SRM) came into effect, with the aim to have a Single Resolution Board (SRB) to be responsible for key decisions on how a bank subject to SSM supervision is to be resolved if a bank has irreversible financial difficulties and cannot be wound up under normal insolvency proceedings without destabilizing the financial system. The SRB is a key element of the SRM and is the European resolution authority for the Banking Union and is fully operational, with a complete set of resolution powers, as of 1 January 2016. The SRB works in close cooperation with the national resolution authorities such as the Dutch national resolution authority. The SRB is also in charge of the Single Resolution Fund, a pool of money financed by the banking sector which will be set up to ensure that medium-term funding support is available while a credit institution is being restructured. Historically, ING Bank has contributed to the Dutch National Resolution Fund (the NRF). Beginning in 2016, contributions to the NRF will be phased out and will decrease steadily until they decrease to nil in 2023; during the same period, contributions to the SRF will commence and steadily increase, replacing ING Bank's contributions to the NRF. As the contributions for the NRF and the SRF are calculated on a different basis and by different authorities (DNB and SRB, respectively) the contributions to the SRF may deviate from the contributions to the NRF.

There are certain differences between the provisions of the Intervention Act, the BRRD and the SRM Regulation, which may further bring future changes to the law. We are unable to predict what specific effects the Intervention Act and the implementation of the BRRD and the entry into force of the SRM Regulation may have on the financial system generally, our counterparties, holders of securities issued by or to be issued by us, or on us, our operations or our financial position.

ING has a recovery plan in place to enhance the bank's readiness and decisiveness to tackle financial crises on its own. Effective since 2012, the plan is updated annually to make sure it stays fit for purpose. The completeness, quality and credibility of the recovery plan is assessed annually by ING's regulators. Since 2012, ING has worked together with the different resolution authorities to determine a resolution strategy and to identify potential impediments to resolution. This resulted in a resolvability assessment that is shared every year with the FSB and the preparation of a transitional resolution plan by the SRB. In November 2016, ING concluded that ING Groep N.V. should be the

designated resolution entity. At the end of January 2017, the SRB has informed ING that it supports the designation of ING Groep N.V. as the point of entry.

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Financial Stability Board

In addition to the adoption of the foregoing measures, regulators and lawmakers around the world are actively reviewing the causes of the financial crisis and exploring steps to avoid similar problems in the future. In many respects, this work is being led by the FSB, consisting of representatives of national financial authorities of the G20 nations. The G20 and the FSB have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance, including executive compensation and risk culture, and a host of related issues associated with responses to the financial crisis.

In November 2015, the FSB published final standards on the adequacy of loss absorbing capacity held by G-SIBs. These comprise: (i) a set of principles on loss-absorbing and recapitalisation capacity of G-SIBs in resolution and (ii) a high level termsheet setting out an internationally agreed standard on the characteristics and adequacy of TLAC. The key requirement mandates G-SIBs to hold long-term debt that can be written down or converted into equity in the event that a G-SIB is put into liquidation, thereby providing a specific means of absorbing losses and recapitalising the G-SIB. The numbers are significant with the minimum standard requiring a G-SIB to hold TLAC of at least 16% of risk weighted assets and at least 6% of the leverage ratio denominator from 1 January 2019, and at least 18% and 6.75% respectively from 1 January 2022 on. In November 2016, the EC proposed amendments to the CRR and BRRD to implement the FSB's minimum TLAC requirement for G-SIB that are intended to align the TLAC requirement with the minimum requirement for own funds and eligible liabilities (MREL). In October 2016, the BCBS issued a final standard regarding the regulatory capital treatments of TLAC holdings of other G-SIBs, confirming that G-SIBs must deduct from their own TLAC exposures TLAC instruments and liabilities issued by other G-SIBs.

Additional Governmental Measures

Governments in The Netherlands and abroad have also intervened over the past few years on an unprecedented scale, responding to stresses experienced in the global financial markets. Some of the measures adopted subject us and other institutions for which they were designed to additional restrictions, oversight or costs. Restrictions related to the Restructuring Plan are further described in Note 50 ING's Restructuring to the consolidated financial statements.

In February 2013, the EC adopted a proposal setting out the details of a financial transaction tax (FTT) under the enhanced cooperation procedure, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is established in the financial transaction tax zone (FTT-zone) or if the instrument which is the subject of the transaction is issued within the territory of a Member State in the FTT-Zone. 10 Member States have indicated they wish to participate in the FTT (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain). The initial proposal contemplated that the FTT would enter into effect on 1 January 2014, which would have then required us to pay a tax on transactions in financial instruments with parties (including Group affiliates) located in such FTT-zone. However, the FTT remains subject to negotiation between the participating Member States and currently it is uncertain whether and in what form and by which Member States the FTT will be adopted. The implementation date of any FTT will thus depend on the future approval by participating Member States in the Council, consultation of other EU institutions, and the subsequent transposition into local law. Depending on its final form, the introduction of an FTT in the Netherlands or outside the Netherlands could have a substantial adverse effect on ING's business and results.

As of 1 October 2012, banks that are active in the Netherlands are subject to a bank tax pursuant to a tax regulation that also includes measures to moderate bonuses awarded to executives at such banks. Increased bank taxes in countries where the Group is active result in increased taxes on ING's banking operations, which could negatively

impact our operations, financial condition and liquidity. For information regarding historical regulatory costs incurred by ING, please refer inter alia to Note 26 Other operating expenses to the consolidated financial statements.

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In April 2015, ING issued USD 2.25 billion of Additional Tier 1 securities (AT1 Securities) and in November 2016, ING issued USD 1 billion AT1 Securities. ING may issue additional AT1 Securities, or other instruments with similar terms (also known as contingent convertible bonds or CoCos), in the future. The Dutch parliament adopted Article 29a of the Dutch Corporate Income Tax Act of 1969 (Wet op de vennootschapsbelasting 1969) in 2015 to provide debt treatment of securities similar to the AT1 Securities for the purpose of Dutch corporate income tax (25% rate) and (indirectly) dividend withholding tax purposes (15% non-grossed up rate). The interest payment obligation of the AT1 Securities is EUR 90 million for the year 2015, EUR 135 million for 2016 and EUR 170 million for 2017. For 2015, 2016 and 2017 the amounts were treated by ING as a deductible interest expenses for Dutch corporate income tax purposes and as exempt for Dutch dividend withholding tax purposes. However, there is a risk that the EC will take the view, and that court would uphold such view if contested, that the tax deductibility of interest payments on the AT1 Securities is in contravention of the EC's temporary state aid rules for assessing public support to financial institutions during the crisis (the Revised State Aid Guidelines). The Revised State Aid Guidelines provide for strengthened burden-sharing requirements, which require banks with capital needs to obtain shareholders' and subordinated debt holders' contributions before resorting to certain state aid measures. If a determination were made that deduction of interest payments on AT1 Securities and other similar securities, including those ING may issue in the future, is inconsistent with the Revised State Aid Guidelines, amounts ING would have to pay to the Dutch State with respect to interest payments that have previously been treated as an expense for Dutch corporate income tax purposes and that have been paid free of withholding taxes could be substantial, in particular if ING is unable to redeem the securities (for the years 2015, 2016 and 2017 the total amount of payment in this respect could be EUR 158 million excluding interest). The terms of the AT1 Securities provide that ING can redeem the AT1 Securities only upon the occurrence of specific events (not including a determination that the tax treatment of the AT1 Securities is inconsistent with European rules against state aid) or after 5 years or 10 years (depending on the series) after their date of issuance.

Because we operate in highly competitive markets, including our home market, we may not be able to increase or maintain our market share, which may have an adverse effect on our results of operations.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of wholesale banking, retail banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by existing or new competitors. A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with our competitors. The Netherlands is our largest market. Our main competitors in the banking sector in the Netherlands are ABN AMRO Bank and Rabobank. Competition could also increase due to new entrants in the markets that may have new operating models that are not burdened by potentially costly legacy operations and that are subject to reduced regulation. New entrants may rely on new technologies, advanced data and analytic tools, lower cost to serve, reduced regulatory burden and/or faster processes in order to challenge traditional banks. Developments in technology has also accelerated the use of new business models. For example, new business models have been observed in retail payments, consumer and commercial lending (such as peer-to-peer lending), foreign exchange and low-cost investment advisory services. In particular, the emergence of disintermediation in the financial sector

resulting from new banking, lending and payment solutions offered by rapidly evolving incumbents, challengers and new entrants, in particular with respect

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to payment services and products, and the introduction of disruptive technology may impede our ability to grow or retain our market share and impact our revenues and profitability.

Increasing competition in the markets in which we operate may significantly impact our results if we are unable to match the products and services offered by our competitors. Future economic turmoil may accelerate additional consolidation activity. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in our competitors gaining greater access to capital and liquidity, expanding their ranges of products and services, or gaining geographic diversity. We may experience pricing pressures as a result of these factors in the event that some of our competitors seek to increase market share by reducing prices.

The default of a major market participant could disrupt the markets.

Within the financial services industry, the severe distress or default of any one institution (including sovereigns and central counterparties (CCPs)) could lead to defaults by, or the severe distress of, other market participants. Such distress of, or default by, an influential financial institution could disrupt markets or clearance and settlement systems and lead to a chain of defaults by other financial institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a sovereign or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis and financial instruments of sovereigns in which we invest. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, financial condition, results of operations, liquidity, solvency position and/or prospects. In addition, such distress or failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

The inability of counterparties to meet their financial obligations could have a material adverse effect on our results of operations.

Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers and guarantors (including sovereigns) of securities we hold, borrowers under loans originated, reinsurers, customers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, continuing low oil or other commodity prices, operational failure or other factors, or even rumours about potential defaults by one or more of these parties or regarding a severe distress of the financial services industry generally, could have a material adverse effect on our results of operations, financial condition and liquidity. Given the high level of interdependence between financial institutions, we are and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of sovereigns and other financial services institutions. This is particularly relevant to our franchise as an important and large counterparty in equity, fixed income and foreign exchange markets, including related derivatives.

We routinely execute a high volume of transactions, such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, insurance companies, institutional clients, futures clearing

merchants, swap dealers, and other institutions, resulting in large periodic settlement amounts, which may result in our having significant credit exposure to one or more of such counterparties or customers. As a result, we could face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. We are exposed to increased counterparty risk as a result of recent financial

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institution failures and weakness and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers or other financial services institutions could therefore have an adverse effect on our results of operations or liquidity.

With respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. For example, we hold certain hybrid regulatory capital instruments issued by financial institutions which permit the issuer to cancel coupon payments on the occurrence of certain events or at their option. The EC has indicated that, in certain circumstances, it may require these financial institutions to cancel payment. If this were to happen, we expect that such instruments may experience ratings downgrades and/or a drop in value and we may have to treat them as impaired, which could result in significant losses. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business, results of operations or financial condition.

In addition, we are subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/ or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our income and risk weighting, leading to increased capital requirements. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Also in this case, our credit risk may also be exacerbated when the collateral we hold cannot be liquidated at prices sufficient to recover the full amount of the loan or derivative exposure due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the financial crisis of 2008. The termination of contracts and the foreclosure on collateral may subject us to claims. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Any of these developments or losses could materially and adversely affect our business, financial condition, results of operations, liquidity and/or prospects.

Market conditions, including those observed over the past few years, may increase the risk of loans being impaired.

We are exposed to the risk that our borrowers (including sovereigns) may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. We may see adverse changes in the credit quality of our borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors.

This may lead to impairment charges on loans and other assets, higher costs and additions to loan loss provisions. A significant increase in the size of our provision for loan losses could have a material adverse effect on our financial position and results of operations.

Economic and other factors could lead to contraction in the residential mortgage and commercial lending market and to decreases in residential and commercial property prices, which could generate substantial increases in impairment losses. Additionally, continuing low oil prices could have an influence on the repayment capacity of certain corporate borrowers active in the oil and oil related services industries.

We may incur losses due to failures of banks falling under the scope of state compensation schemes.

In the Netherlands and other jurisdictions, deposit guarantee schemes and similar funds (Compensation Schemes) have been implemented from which compensation may become payable to customers of financial services firms in the event the financial service firm is unable to pay, or unlikely to pay, claims against it. In many jurisdictions in which we operate, these Compensation Schemes are funded, directly or indirectly, by financial services firms which

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operate and/or are licensed in the relevant jurisdiction. ING Bank is a participant in the Dutch Deposit Guarantee Scheme, which guarantees an amount of EUR 100,000 per person per bank (regardless of the number of accounts held). Until 2015, the costs involved with making compensation payments under the Dutch Deposit Guarantee Scheme had been allocated among the participating banks by the DNB, based on an allocation key related to their market shares with respect to the deposits protected by the Dutch Deposit Guarantee Scheme. Given our size, we may incur significant compensation payments to be made under the Dutch Deposit Guarantee Scheme, which we may be unable to recover from the bankrupt estate. Such costs and the associated costs to be borne by us may have a material adverse effect on our results of operations and financial condition. On 4 July 2015, the new EU Directive on deposit guarantee schemes had to be implemented by EU member states. As a consequence, the Dutch Deposit Guarantee Scheme has changed from an ex-post scheme, where we would have contributed after the failure of a firm, to an ex-ante scheme where we pay quarterly risk-weighted contributions into a fund for the Dutch Deposit Guarantee Scheme. The fund is to grow to a target size of 0.8% of all deposits guaranteed under the Dutch Deposit Guarantee Scheme, to be reached in July 2024. The Dutch decree implementing the Deposit Guarantee Scheme Directive entered into force on 26 November 2015.

The first ex-ante DGS contribution has been charged in respect of the first quarter of 2016. The build-up of the ex-ante fund will take place in 34 quarters. See also [We operate in highly regulated industries. Changes in laws and/or regulations governing financial services or financial institutions or the application of such laws and/or regulations governing our business may reduce our profitability](#) [Bank Recovery and Resolution Regimes](#) .

Currently, the EU is discussing the introduction of a pan-European deposit guarantee scheme, (partly) replacing or complementing national compensation schemes in two or three phases. Proposals contain elements of (re)insurance, mutual lending and mutualisation of funds. The new model is intended to be overall cost-neutral . A more definitive proposal is expected in 2018.

Risks related to the Group's business, operations and regulatory environment

As a holding company, ING Groep N.V. is dependent for liquidity on payments from its subsidiaries, many of which are subject to regulatory and other restrictions.

ING Groep N.V. is a holding company and, therefore, depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Many of our subsidiaries, including our bank subsidiaries, are subject to laws that restrict dividend payments or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to ING Groep N.V.

In addition, our bank subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital and other requirements, as well as restrictions on their ability to use client funds deposited with them to fund their businesses. Additional restrictions on related-party transactions, increased capital and liquidity requirements and additional limitations on the use of funds in client accounts, as well as lower earnings, can reduce the amount of funds available to meet the obligations of ING Groep N.V., and even require ING Groep N.V. to provide additional funding to such subsidiaries. Restrictions or regulatory action of that kind could impede access to funds that ING Groep N.V. needs to make payments on its obligations, including debt obligations, or dividend payments. In addition ING Groep N.V.'s right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

There is a trend towards increased regulation and supervision of our subsidiaries by the governments and regulators in the countries in which those subsidiaries are located or do business. Concerns about protecting clients and creditors of financial institutions that are controlled by persons or entities located outside of the country in which such entities are

located or do business have caused or may cause a number of governments and regulators to take additional steps to ring fence or maintain internal total loss-absorbing capacity at such entities in order to protect

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clients and creditors of such entities in the event of financial difficulties involving such entities. The result has been and may continue to be additional limitations on our ability to efficiently move capital and liquidity among our affiliated entities, thereby increasing the overall level of capital and liquidity required by the firm on a consolidated basis.

Furthermore, ING Groep N.V. has in the past and may in the future guarantee the payment obligations of certain of its subsidiaries, including ING Bank N.V., subject to certain exceptions. Any such guarantee may require ING Groep N.V. to provide substantial funds or assets to its subsidiaries or their creditors or counterparties at a time when ING Groep N.V. or its subsidiaries are in need of liquidity to fund their own obligations.

The requirements for ING Groep N.V. to develop and submit recovery and resolution plans to regulators, and the incorporation of feedback received from regulators, may require us to increase capital or liquidity levels or issue additional long-term debt at ING Groep N.V. or particular subsidiaries or otherwise incur additional or duplicative operational or other costs at multiple entities, and may reduce our ability to provide ING Groep N.V. guarantees for the obligations of our subsidiaries or raise debt at ING Groep N.V. Resolution planning may also impair our ability to structure our intercompany and external activities in a manner that we may otherwise deem most operationally efficient. Furthermore, arrangements to facilitate our resolution planning may cause us to be subject to additional costs such as resolution planning related taxes and funds. Any such limitations or requirements would be in addition to the legal and regulatory restrictions described above on our ability to engage in capital actions or make intercompany dividends or payments.

Ratings are important to our business for a number of reasons. A downgrade or a potential downgrade in our credit ratings could have an adverse impact on our operations and net results.

Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital and funding through the issuance of debt and to the cost of such financing. In the event of a downgrade, the cost of issuing debt will increase, having an adverse effect on its net results. Certain institutional investors may also be obliged to withdraw their deposits from ING following a downgrade, which could have an adverse effect on our liquidity. We have credit ratings from S&P, Moody's Investor Service and Fitch Ratings. Each of the rating agencies reviews its ratings and rating methodologies on a recurring basis and may decide on a downgrade at any time.

Furthermore, ING Bank's assets are risk-weighted. Downgrades of these assets could result in a higher risk-weighting, which may result in higher capital requirements. This may impact net earnings and the return on capital, and may have an adverse impact on our competitive position.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results of operations, financial condition and liquidity. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Because we use assumptions to model client behaviour for the purpose of our market risk calculations, the difference between the realisation and the assumptions may have an adverse impact on the risk figures and future

results.

We use assumptions in order to model client behaviour for the risk calculations in our banking books. Assumptions are used to determine the interest rate risk profile of savings and current accounts and to estimate the embedded

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option risk in the mortgage and investment portfolios. The realisation or use of different assumptions to determine client behaviour could have a material adverse effect on the calculated risk figures and, ultimately, future results.

We may be unable to manage our risks successfully through derivatives.

We employ various economic hedging strategies with the objective of mitigating the market risks that are inherent in our business and operations. These risks include currency fluctuations, changes in the fair value of our investments, the impact of interest rates, equity markets and credit spread changes, the occurrence of credit defaults and changes in client behaviour. We seek to control these risks by, among other things, entering into a number of derivative instruments, such as swaps, options, futures and forward contracts, including, from time to time, macro hedges for parts of our business, either directly as a counterparty or as a credit support provider to affiliate counterparties. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from risks associated with those fluctuations. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Poorly designed strategies or improperly executed transactions could actually increase our risks and losses. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. There have been periods in the past, and it is likely that there will be periods in the future, during which we have incurred or may incur losses on transactions, possibly significant, after taking into account our hedging strategies. Further, the nature and timing of our hedging transactions could actually increase our risk and losses. Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher (un)realised losses, such as credit value adjustment risks or unexpected P&L effects, and unanticipated cash needs to collateralise or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations, resulting in unhedged exposures and losses on positions that are not collateralised. As such, our hedging strategies and the derivatives that we use or may use may not adequately mitigate or offset the risks they intend to cover, and our hedging transactions may result in losses.

Our hedging strategy additionally relies on the assumption that hedging counterparties remain able and willing to provide the hedges required by our strategy. Increased regulation, market shocks, worsening market conditions (whether due to the ongoing Euro crisis or otherwise), and/or other factors that affect or are perceived to affect the financial condition, liquidity and creditworthiness of ING may reduce the ability and/or willingness of such counterparties to engage in hedging contracts with us and/or other parties, affecting our overall ability to hedge our risks and adversely affecting our business, operations, financial condition and liquidity.

Our risk management policies and guidelines may prove inadequate for the risks we face.

We have developed risk management policies and procedures and will continue to review and develop these in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. The methods we use to manage, estimate and measure risk are partly based on historic market behaviour. The methods may, therefore, prove to be inadequate for predicting future risk exposure, which may be significantly greater than suggested by historical experience. For instance, these methods may not predict the losses seen in the stressed conditions in recent periods, and may also not adequately allow prediction of circumstances arising due to government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers, catastrophic occurrence or other information that is publicly known or otherwise available to us.

Such information may not always be accurate, complete, updated or properly evaluated. Management of operational, compliance, legal and regulatory risks requires, among other things, policies and

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procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

ING may be exposed to business, operational, regulatory, reputational and other risks in connection with climate change.

Climate change is a challenge which may expose ING to significant risks. The perception of climate change as a risk by civil society, shareholders, governments and other stakeholders continues to increase, including in relation to the financial sector's operations and strategy, and international actions, such as the Paris agreement on CO2 emissions, may also result in financial institutions coming under increased pressure from such stakeholders regarding the management and disclosure of their climate risks and related lending and investment activities. Additionally, rising climate change concerns may lead to additional regulation that could increase our operating costs or negatively impact the profitability of our investments. There may be substantial costs in complying with current or future laws and regulations relating to climate change. Any of these risks may result in changes in our business activities or other liabilities or costs, including exposure to reputational risks, any of which may have a material and adverse impact on our business, results of operation or financial condition.

Operational risks, such as systems disruptions or failures, breaches of security, cyber attacks, human error, changes in operational practices or inadequate controls including in respect of third parties with which we do business may adversely impact our business, results of operation and reputation.

We face the risk that the design and operating effectiveness of our controls and procedures may prove to be inadequate. Operational risks are inherent to our business. Our businesses depend on the ability to process a large number of transactions efficiently and accurately. In addition, we routinely transmit, receive and store personal, confidential and proprietary information by email and other electronic means. Although we endeavour to safeguard our systems and processes, losses can result from inadequately trained or skilled personnel, IT failures (including due to a computer virus or a failure to anticipate or prevent cyber attacks or other attempts to gain unauthorised access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or impairing operational performance, or security breaches by third parties), inadequate or failed internal control processes and systems, regulatory breaches, human errors, employee misconduct, including fraud, or from natural disasters or other external events that interrupt normal business operations. We depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The equipment and software used in our computer systems and networks may not always be capable of processing, storing or transmitting information as expected. Despite our business continuity plans and procedures, certain of our computer systems and networks may have insufficient recovery capabilities in the event of a malfunction or loss of data. We are currently in the process of replacing our IT/operational systems in some of our subsidiaries as contemplated by our Think Forward strategy and any failure or delay in implementation or integration of the new IT/operational systems on the anticipated time schedule or a failure of these systems to operate as anticipated could affect our ability to efficiently serve our clients, process, store or transmit information as well as our ability to implement our Think Forward strategy in the manner and time frame currently contemplated. Like other financial institutions and global companies, we are regularly the target of attempted cyber attacks, particularly threats from Distributed Denial of Service (DDoS), targeted attacks (also called Advanced Persistent Threats) and Ransomware intensify worldwide, and attempts to gain unauthorised access and the techniques used for such attacks are increasingly sophisticated. We have faced, and expect this trend to continue, an increasing number of attempted cyber attacks as we have expanded our mobile- and other internet-based products and services, as well as our usage of mobile and cloud technologies. In addition, due to our interconnectivity with third-party vendors, exchanges, clearing houses, financial institutions and other third parties, we could be adversely impacted if any of them is subject to a successful cyber attack or other information security event. Whilst we have policies and processes to protect our systems and networks, and strive to continuously

monitor and develop them to protect our technology infrastructure and data from misappropriation, they may be vulnerable to unauthorised access, computer viruses or other malicious code, cyber attacks and other external attacks or internal breaches that could

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have a security impact and jeopardise our confidential information or that of our clients or our counterparties. These events can potentially result in financial loss and harm to our reputation, hinder our operational effectiveness, result in regulatory censure, and could have a material adverse effect on our business, reputation, revenues, results of operations, financial condition and prospects.

Widespread outbreaks of communicable diseases may impact the health of our employees, increasing absenteeism, or may cause a significant increase in the utilisation of health benefits offered to our employees, either or both of which could adversely impact our business. In addition, other events including unforeseeable and/or catastrophic events can lead to an abrupt interruption of activities, and our operations may be subject to losses resulting from such disruptions. Losses can result from destruction or impairment of property, financial assets, trading positions, and the loss of key personnel. If our business continuity plans are not able to be implemented, are not effective or do not sufficiently take such events into account, losses may increase further.

We are subject to a variety of regulatory risks as a result of our operations in certain countries.

In certain countries in which we operate, judiciary and dispute resolution systems may be less developed. As a result, in case of a breach of contract, we may have difficulties in making and enforcing claims against contractual counterparties and, if claims are made against us, we might encounter difficulties in mounting a defence against such allegations. If we become party to legal proceedings in a market with an insufficiently developed judicial system, it could have an adverse effect on our operations and net results.

In addition, as a result of our operations in certain countries, we are subject to risks of possible nationalisation, expropriation, price controls, exchange controls and other restrictive government actions, as well as the outbreak of hostilities and or war, in these markets. Furthermore, the current economic environment in certain countries in which we operate may increase the likelihood for regulatory initiatives to enhance consumer protection or to protect homeowners from foreclosures. Any such regulatory initiative could have an adverse impact on our ability to protect our economic interest, for instance in the event of defaults on residential mortgages.

ING Group may be unable to retain key personnel.

As a financial services enterprise with a decentralised management structure, ING Group relies to a considerable extent on the quality of local management in the various countries in which it operates. The success of ING Group's operations is dependent, among other things, on its ability to attract and retain highly qualified personnel. Competition for key personnel in most countries in which ING Group operates is intense. ING Group's ability to attract and retain key personnel, in particular in areas such as technology and operational management, client relationship management, finance, risk and product development, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

As part of their responses to the financial crisis of 2008, the EC and national governments throughout Europe have introduced and are expected to continue introducing various legislative initiatives that aim to ensure that financial institutions' remuneration policies and practices are consistent with and promote sound and effective risk management, and impose restrictions on the remuneration of personnel, with a focus on risk alignment of performance-related remuneration. Such initiatives include, among others, measures set out in Directive 2013/36/EU (CRD IV), the Guidelines on Remuneration Policies and Practices published by (the predecessor of) the European Banking Authority, the Regulation of the DNB on Sound Remuneration Policies (Regeling beheerst belongingsbeleid Wft 2014), the Dutch law with respect to the limitation of liability of the DNB and AFM and the prohibition of the payment of variable remuneration to board members and day-to-day policy makers of financial institutions that receive state aid (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen)

and the Dutch Law on Remuneration Policies of Financial Undertakings (Wet beloningsbeleid financiële ondernemingen, Wbfo). Currently, implementation of the CRD IV rules varies significantly across the various Member States. The proportionality principle that allows for a minimum threshold for deferrals and pay-out in financial instruments to identified staff is applied differently in the various European countries. For instance, in the

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Netherlands a threshold of 10,000 is applied; in Germany 50,000; in Belgium 75,000 and in the UK £500,000. This creates a situation where there is no level playing field. In addition, the Wbfo has introduced a variable remuneration cap of 20% of base salary for employees working in the financial sector in the Netherlands. Employees can be exempted and receive variable remuneration up to the Wbfo individual cap of 100%, provided that the average pay-out for the whole group does not exceed 20% of the collective base salaries. For this group, as well as for persons working outside the Netherlands, exceptions are possible, in line with CRD IV, but only under strict conditions. In addition, the Wbfo limits exit compensation, retention compensation and guaranteed variable remuneration. The introduction of the Wbfo has created an unlevel playing field in the Netherlands for ING due to the fact that branch offices in the Netherlands of financial institutions that fall under CRD IV (i.e. that have their corporate seat in another EER country) are not limited to the 20% cap but can apply to the higher CRD IV caps (e.g. 100%, or up to 200% with shareholder approval).

Since the financial crisis, ING has adapted its remuneration policies to the new national and international standards. Since the full repayment of the state aid by ING in 2014, the total direct compensation for the Executive Board members has been slightly increased, however, it remains below the median of our EURO Stoxx 50 benchmark, which is made up of similar European financial and non-financial institutions. The total direct compensation of the CEO is significantly below the median of the CEO benchmark.

The (increasing) restrictions on remuneration will continue to have an impact on existing ING Group remuneration policies and individual remuneration packages for personnel. This may restrict our ability to offer competitive compensation compared with companies (financial and/or non-financial) that are not subject to such restrictions and it could adversely affect ING Group's ability to retain or attract key personnel.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results and underlying actuarial assumptions and models.

ING Group companies operate various defined benefit retirement plans covering a number of our employees. The liability recognised in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. We determine our defined benefit plan obligations based on internal and external actuarial models and calculations using the projected unit credit method. 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 return on plan assets. These assumptions are based on available market data and the historical performance of plan assets, and are updated annually. Nevertheless, the actuarial assumptions may differ significantly from 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 our present and future liabilities to and costs associated with our defined benefit retirement plans.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects.

We are involved in governmental, regulatory, arbitration and legal proceedings and investigations involving claims by and against us which arise in the ordinary course of our businesses, including in connection with our activities as financial services provider, employer, investor and taxpayer. Financial reporting irregularities involving other large and well-known companies, possible findings of government authorities in various jurisdictions which are investigating several rate-setting processes, notifications made by whistleblowers, increasing regulatory and law

enforcement scrutiny of know your customer anti-money laundering, tax evasion, prohibited transactions with countries or persons subject to sanctions, and bribery or other anti-corruption measures and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the banking industry, and litigation that arises from the failure or perceived failure by us to comply with legal, regulatory, tax and compliance requirements could result

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in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers and maintain access to the capital markets, result in cease and desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action or have other material adverse effects on us in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. See *ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received*. Our reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on our reputation. In addition, press reports and other public statements that assert some form of wrongdoing could result in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time consuming and expensive. Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on our business, revenues, results of operations, financial condition and/or prospects in any given period. For additional information, see the *Financial Economic Crime* paragraphs in the *Risk categories* part within the *Compliance Risk* in the *Risk Management* section in the annual report of ING Group. With respect to specific proceedings, see Note 45 *Legal proceedings* to the consolidated financial statements.

We may not be able to protect our intellectual property and may be subject to infringement claims by third parties, which may have a material adverse effect on our business and results of operations.

In the conduct of our business, we rely on a combination of contractual rights with third parties and copyright, trademark, trade name, patent and trade secret laws to establish and protect our intellectual property. Although we endeavour to protect our rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, trade names, patents, trade secrets and know-how or to determine their scope, validity or enforceability. In that event, we may be required to incur significant costs, and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have a material adverse effect on our business and our ability to compete.

We may also be subject to claims made by third parties for (1) patent, trademark or copyright infringement, (2) breach of copyright, trademark or licence usage rights, or (3) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licences. Alternatively, we could be required to enter into costly licensing arrangements with third parties or to implement a costly workaround. Any of these scenarios could have a material adverse effect on our business and results of operations.

ING is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

Our banking products and advice services for third-party products are exposed to claims from customers who might allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. When new financial products are brought to the market, ING engages in a multidisciplinary product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against ING if the products do not meet their expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public

at large and governmental authorities of acceptable market practices, influence customer expectations.

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Products distributed through person-to-person sales forces have a higher exposure to such claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historical sales practices and products that were sold in the past, and in the maintenance of effective risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historical sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues, has had and could have a material adverse effect on our business, reputation, revenues, results of operations, financial condition and prospects. For additional information with respect to specific proceedings, see Note 45 "Legal proceedings" to the consolidated financial statements.

Additional risks relating to ownership of ING shares

The share price of ING shares has been, and may continue to be, volatile.

Our share price has experienced periods of volatility in the past, and the price and trading volume of our shares may be subject to significant fluctuations in the future, due, in part, to changes in our actual or forecast operating results and the inability to fulfil the profit expectations of securities analysts, as well as to the high volatility in the securities markets generally and more particularly in shares of financial institutions.

Other factors, besides our financial results, that may impact our share price include, but are not limited to:

market expectations of the performance and capital adequacy of financial institutions in general;

investor perception of the success and impact of our strategies;

investor perception of our positions and risks;

a downgrade or review of our credit ratings;

potential litigation, investigations or regulatory action involving ING or sectors that we have exposure to;

announcements concerning financial problems or any investigations into the accounting practices of other financial institutions; and

general market circumstances.

There can be no assurance that we will pay dividends on our Ordinary Shares in the future.

It is ING's policy to pay dividends in relation to the long-term underlying development of cash earnings. Dividends can only be declared by shareholders when the Executive Board considers such dividends appropriate, taking into consideration the financial conditions then prevailing and the longer-term outlook. The Executive Board proposes to pay a total dividend of EUR 2,603 million, or EUR 0.67 per ordinary share, over the financial year 2017. This is subject to the approval of shareholders at the Annual General Meeting in May 2018. Taking into account the interim dividend of EUR 0.24 per ordinary share paid in August 2017, the final dividend will amount to EUR 0.43 per ordinary share and be paid in cash. However, there can be no assurance that we will pay dividends in the future.

Holders of ING shares may experience dilution of their holdings.

The issuance of equity securities resulting primarily from the conversion of some or all of such instruments would dilute the ownership interests of existing holders of ING shares and such dilution could be substantial. Additionally, any conversion, or the anticipation of the possibility of a conversion, could depress the market price of ING shares.

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Furthermore, we may undertake future equity offerings with or without subscription rights. In case of equity offerings with subscription rights, holders of ING shares in certain jurisdictions, however, may not be entitled to exercise such rights unless the rights and the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Holders of ING shares in these jurisdictions may suffer dilution of their shareholding should they not be permitted to, or otherwise chose not to, participate in future equity offerings with subscription rights.

Because we are incorporated under the laws of the Netherlands and many of the members of our Supervisory and Executive Board and our officers reside outside of the United States, it may be difficult to enforce judgments against ING or the members of our Supervisory and Executive Boards or our officers.

Most of our Supervisory Board members, our Executive Board members and some of the experts named in this Annual Report, as well as many of our officers are persons who are not residents of the United States, and most of our and their assets are located outside the United States. As a result, investors may not be able to serve process on those persons within the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws.

Investors also may not be able to enforce judgments of U.S. courts under the U.S. federal securities laws in courts outside the United States, including the Netherlands. The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, we may not be able to enforce in the Netherlands a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, even if the judgment is not based only on the U.S. federal securities laws, unless a competent court in the Netherlands gives binding effect to the judgment.

Item 4. Information on the Company

A. History and development of the company

General

ING Groep N.V. was established as a Naamloze Vennootschap (a Dutch public limited liability company) on 4 March 1991. ING Groep N.V. is incorporated under the laws of the Netherlands.

The official address of ING Group is:

ING Groep N.V.
 Bijlmerplein 888
 1102 MG Amsterdam
 P.O. Box 1800,
 1000 BV Amsterdam

The Netherlands
 Telephone +31 20 563 6710

The name and address of ING Groep N.V.'s agent in the United States is:

ING Financial Holdings LLC
 1133 Avenue of the Americas
 New York, NY 10036
 United States of America

Telephone +1 646 424 6000

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Changes in the composition of the Group

For information on changes in the composition of the Group, reference is made to Note 46 Consolidated companies and business acquired and divested of Note 2.1 to the consolidated financial statements.

Our Strategy and Progress

Since the launch of the Think Forward strategy in 2014, ING has achieved strong business growth, increasing customer numbers and robust financial performance. Our progress on these fronts confirms the relevance of our strategic direction.

At the heart of the Think Forward strategy is our purpose to empower people to stay a step ahead in life and in business and the Customer Promise to be clear and easy, available anytime and anywhere, to empower and to keep getting better.

A healthy increase in customer deposits and strong growth in core lending since the launch of the strategy show the appeal of our proposition to customers. This has also strengthened our business by providing more stable and attractive funding, better returns through own-generated assets and more diversified lending geographically and over segments.

The growth in overall customer numbers is being outpaced by even faster proportional growth in the important category of retail primary relationships, those customers with a current account and recurring income and at least one other product with us. This growth has been spurred by continuous improvements to the customer experience, leading to more customer interaction, which in turn helps us to know customers better and tailor offerings better to their needs. We are on track to achieve our ambition to serve 14 million primary customers by 2020.

Accelerating the Think Forward strategy

We developed the Think Forward strategy in response to trends that have not only continued to impact our world and the banking industry but which we now see intensifying.

Digitalisation is increasing, changing how people interact with service providers and their expectations as customers. Fintechs and other new entrants to the market are taking advantage of new regulations and the easy access and low-cost delivery available through the internet to compete for key parts of banks' value chains.

Tech giants like China's Alibaba and Tencent (owner of WeChat) now even have full banking licences, making them direct competitors of banks. And continued low interest rates and increasing regulation are pressuring banks' profitability. Banks need to look beyond traditional business models for new ways to offer value to customers.

At ING, we believe banking products and services are becoming commodities. The only way to differentiate in the future will be through the customer experience. Customers' expectations are being set by the personal, instant, relevant and seamless experience provided by digital platforms like Amazon, Apple, Facebook and Google. These

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leaders offer access to platforms where customers connect to one another and to businesses and where they spend more and more of their time.

To remain relevant to customers we need to create a similar experience, one that is uniform wherever and through whatever channel they do business with us. We aim to be the go-to and open platform for all our customers' financial needs, including providing relevant third-party offerings. And a platform that can integrate into other digital ecosystems so we are there for customers and other users wherever they need financial advice and services online.

To achieve this, we are accelerating our Think Forward strategy and transforming our organisation. Key to this is working toward one global and scalable IT infrastructure with a modular approach for easy plug- and-play connections. We are on course to implement one global approach to data management. And we will support this with one Way of Working. We believe this will help us collaborate better across borders and innovate much faster and at lower cost. As a first step, we are converging businesses with similar customer propositions that can benefit from economies of scale and a more standardised approach.

Culture is crucial to achieving our ambitions. We need a culture that puts the customer at the centre of what we do. And also one that fosters innovation. We accelerate innovation through ING's own PACE methodology, which combines Lean Start-up, Agile Scrum and Design Thinking methods and encourages fast experimentation based on customer feedback. Our annual Innovation Bootcamps also encourage employees to come up with initiatives to improve the customer experience and compete for seed funding. And we partner with numerous fintechs to improve the customer experience and accelerate our own pace of innovation.

Elements of our strategy

Our Think Forward strategy was launched in 2014. It guides everything we do. This section describes the strategy and includes references to examples and additional information on how our strategy links to the material topics identified by our stakeholders.

Strategic priorities

To deliver on our Customer Promise and create a differentiating customer experience, we have identified four strategic priorities:

1. Earn the primary relationship

The better we know our customers, the better we will be able to empower them to make smart financial decisions and continue to be relevant for them. We can do this best when they do a range of banking with us and when we are the bank our customers go to for their daily transactions. We call that the primary relationship.

In Retail Banking, we define the primary relationship as a payment account with recurrent income and at least one other product with ING. In Wholesale Banking, we aim to increase primary relationships by increasing our so-called flow relationships (e.g. Transaction Services, Working Capital Solutions and Financial Markets) and the percentage of relationships where we are the client's lead finance provider.

2. Develop data analytics

The relationship between banks and their customers is increasingly a digital one. Digitalisation challenges banks to maintain intimacy with a customer whom they rarely meet face-to-face. But the digital interface also provides a

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wealth of data on customers' preferences and needs that gives banks important insights they can use to provide the kind of experience customers now expect from businesses they interact with online. Analytic skills are essential for serving customers in a digital world and also for preventing fraud, improving operational processes, reducing risks and generating services that go beyond traditional banking. At ING, we recognise that excelling at data management is a core competency if we are to realise our ambition to create a personal digital experience for customers. We are on course to implement one global approach to data management to ensure we maximise the potential of this key resource. An international Advanced Analytics team based in Frankfurt and Amsterdam acts as a centre of excellence, and local advanced analytics teams operate in country and business units. Our chief data management officer oversees the implementation of global data management together with local data officers.

3. Increase the pace of innovation to serve changing customer needs

Evolving customer expectations, new technologies and new competitors are transforming banking. Through innovation, we can increase efficiency, improve the customer experience and gain competitive advantage. We do that, for example, through ING's own PACE innovation methodology and employee-driven Innovation Bootcamps. To speed up the pace of innovation we also partner with outside parties, including fintechs.

4. Think beyond traditional banking to develop new services and business models

Thinking beyond traditional banking is crucial given that disruption in the banking industry puts a significant portion of revenues at risk. To be successful, banks need to expand the concept of what a bank is and what it means to customers. Our payments value chain is already under threat from many bank and non-bank players. We are responding by creating an open digital platform. It will include relevant offers from third parties and provide a complete financial overview for customers in one place, including of their holdings at other institutions so they are empowered to make better financial decisions. We also aim to find ways to be relevant to customers earlier in their purchasing decision-process, such as not only offering a mortgage, but also connecting customers via our platform to real estate listings and other things they need when buying a new house, like insurance, legal advice and even a removal company. ING is developing and looking into initiatives in numerous beyond banking value spaces, including the circular economy, the silver economy (ageing population), housing and mobility.

Enablers

Four strategic enablers support the implementation of our strategy: simplifying and streamlining our organisation, operational excellence, enhancing our performance culture and diversifying our lending capabilities.

1. Simplify and streamline

Simplify and streamline refers to ING's aim to become a more effective, cost-efficient and agile organisation with the flexibility to respond to fast-changing customer needs and low-cost competitors. We are introducing one Way of Working based on end-to-end, multidisciplinary teams that provide customer improvements from design to product delivery at lower cost and with shorter time to market than previously required. We have already introduced this in the Netherlands and will gradually implement it company-wide, initially focusing on all product and service delivery units by end-2018. We are also implementing target operating models (TOMs) to streamline our Finance, HR, IT, Procurement and Risk functions.

2. Operational excellence

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Operational excellence requires continuous focus. We need to ensure that ING's operations provide a seamless and flawless customer experience. Our operational excellence vision concentrates on the Customer Promise. To meet changing customer expectations arising from increasing digitalisation, we aim to converge to a single platform for financial services that will deliver a uniform customer experience across borders. This will be based on simplified and standardised products and systems supported by modular architecture, integrated and scalable IT systems, and shared services. While pursuing this ambition we are also investing to provide stable IT systems and platforms to ensure we are there for our customers when they need us and to provide them with the highest standards of data security.

3. Performance culture

A strong performance culture is crucial to achieving the bank's ambitions and delivering on our Customer Promise. To do this, we focus on a number of areas, including stepping up leadership capabilities and building the engagement and capabilities of employees across the organisation. ING believes in a direct link between employee engagement and business performance and our ability to serve customers. Our performance management process encourages employees to take personal responsibility for their performance and development. ING supports employees with training and professional and personal development. To promote the leadership behaviours needed to achieve ING's strategy, tailor-made leadership training has been developed for top managers and also for all people managers within ING globally.

We are also committed to accelerating the development of diversity and strengthening an inclusive culture in ING where everyone can be themselves. We believe that there is a clear link between diversity and better financial performance. Differences in gender, age, background, sexual orientation, physical ability and religious beliefs enable us to solve problems and respond to challenges in different ways. We have a range of initiatives in place to do this, including our global diversity manifesto which applies to all of our more than 54,000 employees. The manifesto sets out what diversity means at ING, why it's important, and what employees and managers can do to make a difference.

4. Lending capabilities

Broadening and diversifying our lending capabilities to continue to grow client franchises is our fourth strategic enabler. To do so, we are seeking opportunities in Retail, SME and Consumer Lending segments, as well as focusing on Wholesale Banking lending growth in our Challengers & Growth Markets businesses and in our specialised Industry Lending franchise. In 2017, we continued to grow and diversify lending at healthy margins, with strong growth in the retail activities in Belgium and the Challengers & Growth Markets, but also from Industry Lending and Working Capital Solutions within Wholesale Banking. We also partnered with fintechs to extend innovative instant lending solutions for SMEs to France and Italy following an earlier successful introduction in Spain.

How we create value

At ING we believe that it is our role to support and promote economic, social and environmental progress leading to a better quality of life for people in society, while generating adequate returns for shareholders. We want to be the bank of the future and therefore take the long-term view, to inform our decisions and priorities in the shorter term.

As part of our Think Forward strategy and purpose to empower people, ING launched its 2022 sustainability goals, bringing sustainability and innovation together to deliver on our customer promises. We see it as our responsibility

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to address the long-term global challenges arising from climate change and the so-called fourth industrial revolution. Over the next five years we will focus our efforts and our business where it matters most on climate resilience and social resilience to empower people to stay ahead.

B. Business overview

Corporate Organisation

ING Group's segments are based on the internal reporting structure by lines of business. For more information see Item 5 Operating and Financial review and Prospects.

Our Business

We grew our Wholesale and Retail banking customer bases in 2017, lent more to customers and they entrusted us with more of their savings. At the same time we made major investments to accelerate our Think Forward strategy and create a differentiating customer experience. One that makes banking clear and easy, anytime, anywhere and puts customers in the driving seat when it comes to their finances.

Who we are

ING's Retail business serves 37.4 million customers. Through the Wholesale Banking business we also serve corporate clients and financial institutions.

Our Market Leaders businesses in the Netherlands, Belgium and Luxembourg are mature businesses with strong Retail and Wholesale Banking positions. Our Challengers businesses are in Australia, Austria, the Czech Republic, France, Germany, Italy and Spain.

Here we aim to build a full bank relationship, digitally distributed at low cost via platforms like Model Bank, which we are developing for several European retail markets, and Welcome, in Germany. Our Growth Markets businesses are those in expanding economies with above-average growth potential: Poland, Romania and Turkey. ING also has stakes in the Bank of Beijing (China), TMB (Thailand) and Kotak Mahindra Bank (India).

In most retail banking markets we offer a full range of banking products and services, covering payments, savings, investments and secured and unsecured lending.

For corporate clients and financial institutions we provide specialised lending, tailored corporate finance and debt and equity markets solutions. We also offer working capital, payments and cash management and trade and treasury services to help them achieve their business goals.

More information about our Wholesale Banking services is available on www.ingwb.com.

Differentiating experience

Our Think Forward strategy anticipated the trends shaping our industry. We foresaw that digitalisation would change people's expectations about the products and services they use. These expectations are based on their frequent interactions online and on their smartphones, where they connect with each other and the brands that they love.

Companies are no different. They too expect one seamless, cross-border, global experience and instant processes. They are increasingly impatient with anything that takes time. At the same time, they look for partners who can challenge them on their strategy and add real value to their business.

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If we want to remain relevant to our customers we have to be where they are. We have to find ways to empower them on their preferred platforms and meet their needs with a clear and easy experience.

In 2017, we continued our journey to future-proof our business and bring customers a differentiating experience. This involves harmonising and streamlining our products and processes and using advanced data capabilities to deepen and expand our relationships with customers. We are aiming to create a uniform experience by uniting our businesses on digital platforms to be a place where people can go for all their finance-related needs. And we are innovating and teaming up with others to offer new and different services, both our own and those of others.

We believe we are on the right track. In 2017, ING was named the Best Bank in the World by Global Finance magazine – recognition of our efforts to provide a truly outstanding customer experience.

Challenging environment

Persistently low interest rates are threatening the traditional banking business model, making it important to develop new customer propositions that generate new revenue streams.

On top of that, heavier capital requirements under so-called Basel IV and ever increasing regulation are pushing down on returns. In 2017, regulatory costs were EUR 56 million higher year-on-year and made up 9.2 percent of ING's total underlying expenses (8.9 percent in 2016).

The new European payments directive PSD2 in 2018 will have economic repercussions. Banks will face higher IT and security costs and a potential loss of retail payments revenue. More importantly, PSD2 will open up the payments market to new competitors, including non-banks. Competition is fierce. Already we see fintechs disrupting banking and claiming profitable parts of the value chain that were once the sole domain of banks.

Not to mention the big tech platforms who can really change the game for banks. Apple Pay, for example, is gaining more than a million users a month, while China's Tencent (owner of WeChat) and Alibaba have banking licences and their own online banks. To remain relevant we need to find new revenue models, more efficient ways of doing things, and team up with others to bring customers a new and differentiating experience faster.

Fair pricing

With deposits at the European Central Bank already earning negative interest rates we have to continuously balance our customer expectations with the prices we offer to remain profitable. To address this trade-off we actively manage our exposure to interest rate risk and develop new offerings at fair prices that generate fee-based income.

ING is working hard to avoid being forced to implement negative rates on retail deposits. For some time, we have charged a negative interest rate to financial institutions and corporate clients with high cash balances in their euro current accounts. If the low interest environment continues we may need to consider further action and expand the scope of Wholesale Banking clients that will be charged.

On the Retail side, other solutions would need to be found, such as higher margins on lending or implementing other fees, which could reduce market transparency. From our point of view, none of these are desirable because they have the potential to conflict with customers' expectations about fair pricing.

Charging customers a fair price for our products and services increases their accessibility and is important for our competitiveness in the marketplace. To ensure prices are fair, we ask customers to rate our products and services and

provide feedback in online communities as part of our global Product Approval and Review Process.

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Knowing our customers

Data is an important asset that helps us improve the customer experience and earn the strategically important primary relationship. We rely on data to understand what customers want and need. We use these insights to personalise our customer interactions and empower customers to make their own financial decisions. Our customer-facing platforms offer multiple touch points to interact with customers and collect data that we use to define customer journeys, for example when and where they choose to do their banking, the device they use and the services they prefer. We test our insights with feedback from customers to continuously improve our services.

It is also vital that we know our customers from a regulatory and risk perspective. But gathering the information we need can be inconvenient for them, which is counter-productive to a positive customer experience. This is especially challenging when we have to approach the same customer several times because regulations demand that certain data is screened off internally by Chinese walls. However, ING takes its regulatory responsibility seriously and does not want to compromise on compliance. Instead, we have to ensure the process is as unobtrusive and easy as possible. We also take every precaution to protect customer data and privacy.

Primary relationships

In June 2017, ING reached its 10 millionth primary retail customer. Earning the primary relationship is a strategic priority and we value these relationships because they lead to customers who are more satisfied, more loyal and subsequently choose ING for more of their banking needs. And the more people do with us, the more data we can collect to understand their needs and the better the experience we can provide using these insights: a virtuous circle.

In Retail Banking, we define primary customers as those with multiple ING products, including a current account into which they deposit a regular income, such as a salary. The number of primary customers choosing ING as their main bank is growing twice as fast as the total number of retail customers. At the end of 2017, we had 10.8 million primary retail customers, up from 9.9 million in 2016. The aim is to extend this by a million primary customers a year to reach 14 million by 2020.

Wholesale Banking is also looking to grow its primary clients. This means being their lender of choice and having an appropriate volume of flow products in Transaction Services, Working Capital Solutions and Financial Markets. Industry Lending teams took a leading role in 61 percent of transactions in 2017. While pursuing growth, we will maintain a prudent risk profile and diversified portfolio within our risk appetite.

Retail Banking in 2017

To continue delivering on its strategic priorities and purpose, ING is combining its strengths in its various retail markets and moving towards shared digital banking platforms that will offer customers a uniform differentiating experience and empower them to stay a step ahead in life and in business.

We use the Net Promoter Score (NPS) to measure our progress. Our aim is to achieve a number one NPS ranking, with a 10-point lead over our main competitors in each Retail Banking market. Based on a rolling average of our NPS scores in 2017, ING was ranked number one in seven of our 13 markets and was second in a further four.

Our Customer Promise

ING innovates in pursuit of a better customer experience, both on its own and with partners. We believe this is what attracts people to ING as their main bank and we work hard to improve this experience and deliver on our Customer

Promise to be clear and easy, anytime and anywhere, empower people and keep getting better.

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We are also looking at services that go beyond banking and generate alternative sources of revenue. In Germany, for example, ING introduced Immowert2Go, a mobile app enabling potential homeowners to find a property's value by submitting a photo and at the same time apply for a mortgage. And we partnered with online wealth manager Scalable Capital to offer retail customers digital investment management services, also known as robo-advice.

To keep our promise to make banking easier, we premiered fully digital instant personal loans in Romania, making it possible for almost 1.3 million active customers here to obtain a personal loan in an end-to-end online process that takes as little as 15 minutes. Customers in Poland, Spain and Turkey can also get loans instantly online without the need to submit proof of income. Credit risk assessments are done within minutes.

And small and medium-sized businesses in France and Italy can now get approval for a loan of up to EUR 100,000 in just 10 minutes. The new instant online lending platform for SMEs was developed with five fintech partners, each covering part of the loan process. These include Kabbage, with whom we developed a similar offering in Spain in 2015. The new service, launched in October, is part of our strategy to increase lending to this customer segment.

Meanwhile Twyp Cash, which allows customers in Spain to withdraw cash from supermarkets, petrol stations and other merchants, continues its growth and is now used by 275,000 customers. We extended the mobile payment app to non-ING customers in November, triggering approximately 20,000 downloads on the first day.

Digital first

Customers are spending more time online and especially on their smartphones. In the Netherlands, ING welcomed its three millionth mobile app user in August 2017 and registered 18,000 new users in one week, the highest weekly inflow yet. This helped us exceed our initial 2017 target of 520,000 new mobile users in the Netherlands by 15.9 percent.

Across ING, digital channels account for 98.4 percent of contacts with retail customers (98.0 percent in 2016), while mobile phone interactions rose 37 percent to 1.76 billion in 2017 from 1.28 billion in 2016.

We introduced several new apps in 2017 that cater to the needs of mobile customers, who use their phones to shop, socialise and stream content instantly and seamlessly. In Germany, Banking to go makes transfers easier and more personal using touch ID and the customer's own five-digit pin. Developed by a German-Dutch team using existing components, the app was tested by around 5,000 customers before going live in May 2017. We also introduced an aggregation service in Germany that allows customers to see all their bank accounts on one app, also those with other banks.

In Belgium, we partnered with other banks and telecom companies to launch Itsme, an app offering users a digital ID that allows them to log in securely, share data or sign documents and transactions on their phones.

In March, we debuted contactless mobile payments in Poland. Customers here can now use their Android smartphone to pay for goods or services via the Moje ING mobile app. The MasterCard on your phone service was developed in less than a year by teams from Poland, the Netherlands and Spain with generic components that can be used by other ING countries.

Customers in Poland can also use their mobile phones to buy and sell currencies. They can access the ING Kantor electronic platform via an FX module on the Moje ING mobile app (or the ING Business app for corporates). It makes currency transactions easy and convenient with 24/7 availability.

Of course, customer experience doesn't only have to be digital. In Belgium, we opened the first ING branch that feels like home, modelled on the concept unveiled in 2016 in the Netherlands. Here customers can get personal banking advice, have a coffee, use it as a workplace or hold their own business or community meetings. ING plans another 15 of these branches by 2020. An optimised branch network supports our digital-first ambitions. When designing Belgium's branch network coverage our priority was to stay close to our customers and improve our service to make

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it extremely personal and very easy. At the same time, we had to consider a number of factors, not least the integration of Record Bank. In places where both banks had branches in close proximity, we chose to keep only one. The 15 planned Client Houses will provide customers with personal banking advice in an enjoyable environment.

Financial empowerment

ING wants to empower people to make the right financial decisions and become self-reliant. This contributes to a healthy economy and helps drive social progress. In addition to clear and easy products and services, anytime and anywhere, it's about providing the right information and tools at the right time and making an impact in communities by giving people the skills to become financially self-sufficient.

Take tools like our Orange Assistant in Turkey, a mobile app that gives users more control over their money by notifying them when a payment or even a birthday is due. It can automatically transfer money, for example to a florist to buy a gift. Users set their own customised notifications and smart actions. The idea originated at an earlier edition of ING's Innovation Bootcamp. To date, 18,000 users have created nearly two million separate notifications, for example when money enters or leaves their account, and when their credit card statement is ready.

In 2017, we launched the THINK website, where ING analysts share their insights on a range of economic and financial matters to help people make better decisions.

Turkey launched a YouTube channel in June called Para Mevzuları (Money Stuff). Here ING shares videos that increase financial literacy by helping people understand more about money, saving and finances. It attracted 44,000 subscribers and 6.5 million views in its first month.

In Australia we launched ING Everyday Round Up a digital money jar for loose change that makes saving easier and more convenient. It allows customers to round up card purchases to the nearest dollar and moves the difference to their savings account. The tool hit 40,000 activations within the first fortnight. It mirrors the Smart Saver launched in Poland in 2016, an example of sharing best practice between ING businesses.

The ING Dreamstarter programme in Australia empowers social entrepreneurs through scholarships, crowdfunding and grants for businesses that create a positive change in their communities. In 2017, it had 1,701 supporters and contributed more than AUD 330,000 to 11 Dreamstarter businesses, of which over 60 percent was crowd-funded. This brings its total funding since it started in 2014 to more than AUD 1.5 million for 70 businesses. In 2017, Dreamstarter Gifts that Give was initiated to encourage Australians to buy socially responsible gifts and support Dreamstarter businesses, which delivered product sales of over AUD 30,000 in six weeks.

To help people who are financially excluded, ING's activities include offering microfinance to SME clients in Turkey, education and research. In addition, ING subsidiary Groenbank invested EUR 6 million in cooperative society Oikocredit to extend financial inclusion in Africa.

ING continued its partnership with UNICEF's Power for Youth to reach 335,000 adolescents in six less-developed countries by 2018, equipping them with financial knowledge and skills to build a brighter future.

Financial empowerment interactions with customers and non-customers increased significantly again in 2017 and 25.4 million people said they felt financially empowered (23.9 million in 2016). This means we achieved our 2020 target of reaching 25 million people. Our new ambition is to reach 34 million people by 2022.

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Sustainable investments

We can help our customers contribute to a more sustainable world through sustainable investing. We select companies whose activities consider people, society and the environment. They preferably offer solutions for the sustainability challenges our world faces. We believe these companies will outperform on return and impact in the long term.

Our assessment excludes companies in specific sectors, such as coal mining, or that exhibit controversial behaviour, such as violations of human rights.

ING has provided customers with sustainable investment solutions (SI) since 1999. These can be dedicated portfolios, structured products or investment funds, and cover all asset classes. SI is available to customers in Belgium, Luxembourg, Germany and the Netherlands. At the end of 2017, sustainable assets under management (SAuM) were EUR 4.75 billion. This represents 3.75 percent of ING's total assets under management.

Awards

ING's digital leadership and focus on innovation and customer experience have been recognised externally with awards in several Retail markets. These include Best Brand of the Year 2017 in Luxembourg. ING in Poland collected Global Finance magazine's Digital Bank of Distinction award for the mid-corps segment, while in Romania ING was named the Most Innovative Bank for the second year running at the MasterCard Bank of the Year gala. In Germany, ING was rated Most Popular Bank for the 11th consecutive year by readers of business magazine *Wirtschaft* and Interhyp as the Best Mortgage Provider for the 12th time in a row. And in France, ING was the only financial institution to win the Excellence Client Prize, awarded to companies providing a great customer experience.

Wholesale Banking in 2017

The future of Wholesale Banking is about clients and their experience. It's all about what they want: advice, data driven insights, sector knowledge. We already took steps in this direction in 2017 and will take it further in 2018 with a new organisational structure that supports a client-led approach, using data and technology to anticipate clients needs and move to seamless and fast processes for a truly differentiating experience.

Through the Wholesale Banking Target Operating Model (Wholesale TOM) we have made progress towards a digital, streamlined and simplified organisation. But with so many newcomers entering this space and disrupting our core business, we realised we need to do more. In 2017, we redefined our short-term priorities and further united our business across regions and countries to collaborate more effectively, innovate faster and bring clients uniform services and relevant, proven solutions through their preferred channel, while moving to open banking platforms.

Among other things, we will strengthen our sector focus and international network, putting more resources into Asia and the Americas. We are also strengthening our advisory functions including core banking services, such as Debt Capital Markets and Corporate Finance, and will enhance and further integrate our daily banking propositions, such as payments and cash management, trade finance, working capital solutions, overdraft and FX transactions.

In support of these changes, we will roll out ING's one agile Way of Working across Wholesale Banking. Wholesale Banking is an important contributor to the success of ING's Think Forward strategy. Over the past five years, Wholesale Lending assets have grown by more than 30 percent and pre-tax results by more than 70 percent. We expect lending growth to continue as we support clients in their business needs. To better anticipate on these needs we will increase our investments in our data-analytic capabilities and strengthen our research coverage to help clients stay ahead of their competition. And we will support them in becoming more sustainable.

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InsideBusiness

We extended the InsideBusiness platform to Russia, Ukraine and Poland. It is now used by around 12,500 business clients in 20 European countries, compared to fewer than 500 in 2016. Clients can access their Wholesale products and services via a single log-in, making banking clear and easy and simplifying and streamlining the IT landscape. New services added to InsideBusiness in 2017 include fingerprint login for the iOS and Android app and digital signatures for service request documents. It also offers electronic mark-to-market reports for 4,000 Financial Markets clients; gives clients the ability to draw down on loans and to manage proof of payments and incoming direct debits, as well as make digital Trade Finance transactions in Belgium and the Netherlands.

Virtual cash management

In the third quarter, ING introduced virtual bank accounts that allow treasurers to manage their cash across borders from a single bank account. Other virtual cash management products involve multiple virtual accounts. ING's solution gives treasurers full insight, access and control of their company's cash position and enhances strategic decision-making.

We are also preparing to launch Cobase, an independent ING venture offering companies a multi-bank platform with a single point of access to all their bank accounts and financial services from all their providers, not only ING. It includes a central payments hub, cash management and treasury modules.

Blockchain

Innovation is integral to ING's ambitions and technological advances such as blockchain continue to lead to new products and product improvements. Being a big organisation, ING's size can work against it when speed is of the essence. That's why we also team up with others' start-ups and fintechs to innovate from the outside in. These include collaborations with the banking consortium R3 and others to digitalise trade and commodity finance on a blockchain platform, as well as using blockchain to process foreign exchange trades and Trade Finance transactions. ING is also working with R3 and HQLAx on a digital assets exchange to manage liquidity more effectively and cost efficiently.

In February, our Easy Trading Connect blockchain prototype carried out its first live oil trade, which showed the significant speed, cost and risk benefits of the technology. In January 2018, the platform was extended to agricultural commodities, with a US-China soybean trade demonstrating its potential in a sector with complex and rigorous documentation chain flows.

In November, ING announced a breakthrough to protect the privacy of users in the blockchain. The new code, known as a zero-knowledge range proof adds a layer of cryptography that is 10 times more efficient than existing technologies. In the spirit of cooperation, ING has made it available as an open-source solution, allowing other developers to contribute to it.

Drawing on our data capabilities to bring clients the right solutions at the right time, we are working on one that analyses data from past bond trades to price trades accurately in real time.

In addition to harnessing new technologies, we are also looking at developing services that go beyond banking. For example, we're working with behavioural scientists in London and Amsterdam to develop a cybersecurity solution for corporate clients. The ING Digital Trust tool aims to modify the behaviour of the client's employees – usually a key vulnerability when it comes to protecting companies' digital information – through a series of gamification campaigns. It is currently being tested by three clients and will be available in 1Q2018.

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Responsible finance

Although ING's own operations have been climate neutral for a decade, we can make our biggest contribution to a sustainable future through financing. We are committed to better understanding the impact of our lending activities and working with our clients to drive progress towards a low-carbon and self-reliant society.

We aim to double our funding to companies and sectors that are helping to keep global warming below two degrees Celsius. We will do this by increasing our Climate Finance portfolio two-fold by 2022 compared to 2017.

This includes funding projects that advance renewable energy, the circular economy and help combat climate change. We will also double our Social Impact finance by lending to projects that lead to, for example, affordable housing or basic infrastructure. And we will double lending to environmental, social and governance (ESG) industry leaders by 2022 compared to 2017.

These ambitions replace the former Sustainable Transitions Financed (STF) portfolio ambition to increase STF to EUR 35 billion by 2020. As we already came close to achieving this in 2016, we matured and strengthened our approach in 2017. The result is our responsible finance portfolio, which transparently demonstrates our contribution through financing to key social and environmental domains.

But we can't do this alone. We need clients and key partnerships. For example, we work with the Ellen MacArthur Foundation, a global thought leader on the circular economy, to expand our knowledge and network on this topic and unlock business opportunities.

And we are a member of the World Economic Forum's Climate Leaders Alliance, an informal network of CEOs committed to climate action and delivering on the Paris Agreement.

In 2017, ING joined the Madaster circular economy platform, which has a digital materials passport to stimulate the use of recyclable materials and reduce waste.

ING Real Estate teamed up with ING Groenbank on a green loan to convert a former power plant into a sustainable energy label innovation hub. And we helped finance one of Australia's largest solar plants to meet the country's growing demand for renewable energy.

In Austria, ING teamed up with Kommunalkredit, a specialist bank for infrastructure financing, on a EUR 300 million social covered bond to support projects such as schools, universities, hospitals and social housing. It's the first of its kind in Austria and the second social covered bond in the market.

It's not just technology that drives innovation. ING works closely with clients to find sustainable solutions for the challenges they face and to put our sustainability ambitions into action. In 2017, we collaborated on several sustainable financing firsts: the first loan linking the interest rate to the lender's sustainability performance and rating (the better the company does on sustainability, the lower the interest rate); the first green hybrid bond ever, raising EUR 1 billion to fund wind energy in the Netherlands and Germany; and the UK's first green bond in the public utilities sector (water).

Since it was introduced in April for Philips, the Sustainable Improvement Loan has won several awards and has been used with other clients, such as Belgian post operator bpost.

Challenges and opportunities

In addition to investing billions of euros in wind farms, solar energy and geothermal power production to support the energy transition, ING will not only stop providing lending services to new coal-fired power plants or coal mines but will also accelerate the reduction of financing to thermal-coal power generation with the ambition of bringing

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this close to zero by 2025. We reduced our lending outstanding for thermal coal power generation by 18 percent at the end of 2017 compared to a year ago and have the ambition to continue this reduction trend.

However, society still relies on fossil fuels because there is not yet enough renewable energy being generated, nor is there an efficient and affordable way of storing it. This is both a challenge and an opportunity, for example for companies developing battery technology. ING engages in strategic dialogue with clients to influence change. We talk about the challenges they face and help them identify opportunities.

We see opportunities arising from the final recommendations of the G20 global Taskforce on Climate-related Financial Disclosures (TCFD). We believe it will encourage investors to shift to more low-carbon and climate-smart options as companies become more transparent about reporting on the financial implications of climate change – an important step towards delivering on the commitments of the Paris Agreement to keep global warming below two degrees Celsius.

Strengthening our operations

In the past years, the Wholesale TOM programme has contributed to a more integrated business, easier processes and a more consistent experience for clients on a global digital platform.

It has united operational services in two strategic centres in Bratislava and Manila, supporting our ambition to improve and standardise Wholesale Banking. For example, we now offer Financial Markets clients collateral management services from one hub that provides a single unified offering. This consolidation of expertise enables us to test new artificial intelligence and robotics solutions to optimise client services. For example, we are preparing to launch ING's first Wholesale Banking chatbot – called Bill – on InsideBusiness. And we are working with fintech Axyon.AI on a tool that applies neural networks to make financial predictions. We will invest even more in automation and robotics to make processes faster and smoother in the future.

Migrating certain services to shared service centres is not new to ING, but it is time consuming and can potentially disrupt our service, contrary to our Customer Promise. We do it because, in the long term, it means we keep getting better. We believe it will allow us to respond faster to new client needs, improve IT capabilities and boost the efficiency of our digital-first model, helping it to evolve into a true competitive advantage.

We are also introducing a global operating model for Lending Services. Implementing the advanced funding model in Singapore and Hong Kong in the second half of the year changed the Asian funding model and led to a EUR 3.5 million reduction in funding cost on the Asia portfolio.

In addition, we increased global collaboration with virtual sector teams that support clients across countries and products to offer holistic, integrated solutions that enable them to stay a step ahead in business. To facilitate this collaborative approach even further we are rolling out one way of working based on Agile principles.

Awards

In 2017, ING was named best Benelux brokerage house at the Extel awards for the European equities investment industry. A market survey by FI Metrix (2017 International Commodity Traders Study) showed ING has become a dominant provider in commodity finance, based on its image (55 percent of respondents rated it the most positive brand image in the market compared to 24 percent in 2013), institutional performance, relationship penetration, product market share and delivery. Overall, league table positions in EMEA and Western Europe continued their upward trend in 2017, supported by continued strong performance in Industry Lending.

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International network

One of ING's strengths is our international Wholesale Banking network, which spans over 40 countries in Europe, Asia and the Americas. In 2017, we broadened our relationship with clients in Asia and expanded our Americas footprint with an office in Bogota, Colombia.

This is in line with our decision announced in November 2017 to put more emphasis on the regions while shifting our focus to a stronger sector organisation from the current largely product-based orientation. In the past years, ING has grown into a sector specialist in lending areas such as Metals and Mining, Trade and Commodity Finance and Technology, Media and Telecom. Our new structure will help us deliver a consistent client approach across the Americas, Asia and Europe and become even more relevant to our clients as we support them in their business needs. These organisational changes will be implemented in January 2018.

Competition

ING is a global financial institution with a strong European base, offering banking services. We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

ING's Retail business serves 37.4 million customers. Through the Wholesale Banking business we also serve corporate clients and financial institutions.

Our Market Leaders businesses in the Netherlands, Belgium and Luxembourg are mature businesses with strong Retail and Wholesale banking positions. Our Challengers businesses are in Australia, Austria, the Czech Republic, France, Germany, Italy and Spain. Here we aim to build a full banking relationship, digitally distributed at low cost via platforms like Model Bank, which we are developing for several European retail markets, and Welcome in Germany. Our Growth Markets businesses are those in expanding economies with above average growth potential: Poland, Romania and Turkey. ING also has stakes in the Bank of Beijing (China), TMB (Thailand) and Kotak Mahindra Bank (India). In most retail banking markets we offer a full range of banking products and services, covering payments, savings, investments and secured and unsecured lending.

For corporate clients and financial institutions we provide specialised lending, tailored corporate finance and debt and equity markets solutions. We also offer working capital, payments and cash management and trade and treasury services to help them achieve their business goals. ING serves its Wholesale Banking clients through an international network that spans more than 40 countries in Europe, Asia and the Americas.

There is substantial competition in the Netherlands and the other countries in which we do business for the types of wholesale banking, retail banking, investment banking and other products and services we provide. Customer loyalty and retention can be influenced by a number of factors, including brand recognition, reputation, relative service levels, the prices and attributes of products and services, scope of distribution, credit ratings and actions taken by existing or new competitors. A decline in our competitive position as to one or more of these factors could adversely impact our ability to maintain or further increase our market share, which would adversely affect our results of operations. Such competition is most pronounced in our more mature markets of the Netherlands, Belgium, the rest of Western Europe and Australia. In recent years, however, competition in emerging markets, such as Latin America, Asia and Central and Eastern Europe, has also increased as large financial services companies from more developed countries have sought to establish themselves in markets which are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and proceeded to form alliances, mergers or strategic relationships with our competitors.

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Digitalisation is increasing, changing how people interact with service providers and their expectations as customers. Fintechs and other new entrants to the market are taking advantage of new regulations and the easy access and low-cost delivery available through the internet to compete for key parts of banks' value chains.

The new European payments directive PSD2 in 2018 will have economic repercussions. Banks will face higher IT and security costs and a potential loss of retail payments revenue. More importantly, PSD2 will open up the payments market to new competitors, also nonbanks.

In addition to the potential for disruption posed by fintechs, big tech platforms are also moving into financial services with the potential to really change the game for banks. Apple Pay, for example, is gaining more than a million users a month, while China's Tencent (owner of WeChat) and Alibaba have banking licenses and their own online banks. To remain relevant we need to find new revenue models, more efficient ways of doing things, and team up with others to bring customers a new and differentiating experience faster.

New companies with innovative business models can upend decades of common business practice. Conventional wisdom on what comprises an industry or sector is being questioned. There is a trend toward open online platforms incorporating third-party offerings and the rise of digital ecosystems where people network, shop, bank and do many other things in one place. This is challenging banks to re-think and expand their business models to allow in partners, including ones from outside the financial world, who can enhance the customer experience.

Persistently low interest rates are threatening the traditional banking business model, making it important to develop new customer propositions that generate new revenue streams. On top of that, heavier capital requirements under so-called Basel IV and ever increasing regulation are pushing down on returns. In 2017, regulatory costs made up nine percent of ING's total underlying expenses, unchanged from 2016.

The range and complexity of non-prudential regulation (regarding other things than financial strength) continues to increase. Regulation is becoming more stringent in areas like customer due diligence, and transaction monitoring to detect and report money laundering (AML), terrorist financing and fraud. Individual country laws and specific regulations often prevent sharing information cross-border, between public and private authorities and between private parties. This restricts the effectiveness of bank systems and is most evident when large financial institutions operate a global compliance model.

In addition, non-banks are less strictly regulated than banks, particularly in areas like customer due diligence, fraud and cyber-security risks, as well as the use of commercial and payment data. If left unaddressed by regulators, this lack of a level playing field, especially with the powerful global tech firms, can form an impediment to fair competition, as well as negatively impacting customer security. For more information, please refer to Item 5. Operating and Financial Review and Prospects and Notes 33 Segments and 34 Information on geographical areas of Note 2.1 to the consolidated financial statements.

Regulation and Supervision

The banking and broker-dealer businesses of ING are subject to detailed and comprehensive supervision in all of the jurisdictions in which ING conducts business. As discussed under Item 3. Key Information Risk Factors, as a large multinational financial institution we are subject to reputational and other risks in connection with regulatory and compliance matters involving these countries. Reference is made to Note 2.2.2 Capital Management.

European Regulatory framework

In November 2014 the European Central Bank (ECB) assumed responsibility for a significant part of the prudential supervision of euro area banking groups in the Eurozone, including ING Group and ING Bank. Now that the ECB assumed responsibility for the supervision of the banking groups in the Eurozone, it has become ING Group's and

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ING Bank's main supervisor. The ECB is amongst others responsible for tasks such as market access, compliance with capital and liquidity requirements and governance arrangements. National regulators remain responsible for supervision of tasks that have not been transferred to the ECB such as financial crime and payment supervision. See also the paragraph on Single Supervisory Mechanism.

Dutch Regulatory Framework

The Dutch regulatory system for financial supervision consists of prudential supervision (monitoring the soundness of financial institutions and the financial sector), and conduct-of-business supervision (regulating institutions' conduct in the markets). As far as prudential supervision has not been transferred to the ECB, it is exercised by the Dutch Central Bank (De Nederlandsche Bank or DNB), while conduct-of-business supervision is performed by the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten or AFM). DNB is in the lead with regard to macroprudential supervision. However, the ECB can set higher macroprudential obligations than proposed by DNB.

Global Regulatory Environment

There are a variety of proposals for laws and regulations that could impact ING globally, in particular those made by the Financial Stability Board and the Basel Committee on Banking Supervision at the transnational level, Dodd-Frank in the United States and an expanding series of supranational directives and national legislation in the European Union (see Item 3. Key Information Risk Factors ING operates in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business (for details regarding some of these proposals)). The aggregated impact and possible interaction of all of these proposals are hard to determine, and it may be difficult to reconcile them where they are not aligned. The financial industry has also taken initiatives by means of guidelines and self-regulatory initiatives. Examples of these initiatives are the Dutch Banking Code as established by the Dutch Bankers' Association, which details a set of principles on corporate governance, risk management, audit and remuneration that Dutch banks have to apply on a comply-or-explain basis. Elements of these initiatives may subsequently be incorporated into legislation, as was the case with the Banker's oath and remuneration principles from the Dutch Banking Code. The aforementioned Banker's oath is a mandatory oath for all employees in the Netherlands of banks licensed in the Netherlands, which the Dutch government has introduced, effective per 1 April 2015. In this oath, the employees of the relevant ING entities declare that they (i) will perform their duties with integrity and care, (ii) will carefully consider all the interests involved in the company, i.e. those of the customers, the shareholders, the employees and the society in which the company operates, (iii) in that consideration, will give paramount importance to the client's interests and inform the customer to the best of their ability, (iv) will comply with the laws, regulations and codes of conduct applicable to them, (v) will observe secrecy in respect of matters entrusted to them, (vi) will not abuse their knowledge, (vii) will act in an open and assessable manner and know their responsibility towards society and (viii) will endeavour to maintain and promote confidence in the financial sector. To enforce the oath, non-compliance can be sanctioned by a special disciplinary court. Moreover, if Executive or Supervisory Board members break the oath, the supervisory authority (ECB/DNB/AFM) can decide to reassess their suitability.

As mentioned above, a significant change has been made to the supervisory structure within the Eurozone and in November 2014 the Single Supervisory Mechanism (SSM) took effect, a mechanism composed of national competent authorities and the ECB with the ECB assuming direct responsibility for a significant part of the prudential supervision of ING Bank and its holding company ING Group. ING expects to benefit from the harmonization of supervision resulting from the SSM but at the same time does not expect such harmonization to be fully in place in the short to mid-term.

Another significant change in the regulatory environment is the setting up of the Single Resolution Mechanism (SRM), which comprises the Single Resolution Board (SRB) and the national resolution authorities and is fully responsible for the resolution of banks within the Eurozone as of 1 January 2016. ING has been engaging already with the Dutch national resolution authorities for a few years with the aim to draw up a resolution plan for ING. ING

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will continue to work with the SRB to set up a resolution plan for ING. The rules underpinning the SRM could have a significant impact on business models and capital structure of financial groups but at this stage it is not clear what the impact on ING's banking operations will be.

As a third pillar to the Banking Union, the EU has harmonized regulations for Deposit Guarantee Schemes (DGS). Main elements are the creation of ex-ante funded DGS funds, financed by risk-weighted contributions from banks. As a next step, the EU is discussing a pan-European (or pan-banking union) DGS, (partly) replacing or complementing national compensation schemes. A more definitive proposal is expected in 2018.

Dodd-Frank Act

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which became law on 21 July 2010, represented a significant overhaul in the regulation of U.S. financial institutions and markets. The primary impact on ING is through the establishment of a regulatory regime for the off-exchange derivatives market, pursuant to Title VII of the Dodd-Frank Act.

Among other things, the Dodd-Frank Act and regulations enacted thereunder required swap dealers to register with the Commodity Futures Trading Commission (the CFTC, the primary swaps regulator in the U.S.) as swap dealers or major swap participants and be subject to CFTC regulation and oversight. The ING subsidiary, ING Capital Markets LLC, is registered as a swap dealer. As a registered entity, it is subject to business conduct, record-keeping and reporting requirements, as well as capital and margin requirements. In addition to the obligations imposed on registrants, such as swap dealers, reporting, clearing, and on-facility trading requirements have been imposed for much of the off-exchange derivatives market. It is possible that registration, execution, clearing and compliance requirements will increase the costs of and restrict participation in the derivative markets. These rules (as well as further regulations, some of which are not yet final) could therefore restrict trading activity, reducing trading opportunities and market liquidity, potentially increasing the cost of hedging transactions and the volatility of the relevant markets. This could adversely affect the business of ING in these markets.

The Dodd-Frank Act also impacts U.S. banks and non-U.S. banks with branches or agencies in the United States. The primary impacts are through the Volcker Rule and Section 165 of the Dodd-Frank Act.

The Volcker Rule imposes limitation on U.S. banks, the U.S. branches of non-U.S. banks, and the affiliates of either, on proprietary trading and on the sponsoring and investing in hedge funds and private equity funds.

Among other things, Section 165 of the Dodd-Frank Act imposes capital, liquidity, stress-testing, and risk management requirements on most U.S. banking and non-banking operations of large non-U.S. banking organizations with U.S. branches or agencies. Those with U.S. non-banking assets of \$50 billion or more also must establish an intermediate holding company as the top-level holding company for the organization's U.S. non-banking entities. This intermediate holding company is regulated in a manner similar to a U.S. bank holding company.

The Dodd-Frank Act also created a new agency, the Financial Stability Oversight Council (FSOC), an inter-agency body that is responsible for monitoring the activities of the U.S. financial system, designating systemically significant financial services firms and recommending a framework for substantially increased regulation of such firms, including systemically important non-bank financial companies that could consist of securities firms, insurance companies and other providers of financial services, including non-U.S. companies. The consequences of being designated a systemically important non-bank financial company could be significant, including having subsidiaries supervised by the Federal Reserve Board, subjection to heightened prudential standards, including minimum capital requirements, liquidity standards, short-term debt limits, credit exposure requirements, management interlock prohibitions,

maintenance of resolution plans, stress testing, and other restrictions. ING has not been designated a systemically significant non-bank financial company by FSOC and such a designation is deemed unlikely.

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The Dodd-Frank Act also imposes a number of other requirements, some of which may have a material impact on our operations and results, as discussed further under Item 3. Key Information Risk Factors We operate in highly regulated industries. There could be an adverse change or increase in the financial services laws and/or regulations governing our business. In 2017, the U.S. Secretary of Treasury issued several reports, after consultation with other financial regulatory agencies, evaluating, in part, the current financial regulatory framework against core principles set out by the new U.S. administration. The report has recommended some revisions to Dodd-Frank and related rules and regulations. The report's findings may result in the revision, amendment or repeal, in all or in part, of Dodd-Frank and related rules and regulations and other laws, rules and regulations.

Basel III and European Union Standards as currently applied by ING Bank

DNB, our home country supervisor until the ECB took over that position in November 2014, has given ING permission to use the most sophisticated approaches for solvency reporting under the Financial Supervision Act, the Dutch legislation reflecting the Basel II and Basel III Frameworks. DNB has shared information with host regulators of relevant jurisdictions to come to a joint decision. In all jurisdictions where the bank operates through a separate legal entity, ING must meet local implementation of Basel requirements as well. ING uses the Advanced IRB Approach for credit risk, the Internal Model Approach for its trading book exposures and the Advanced Measurement Approach for operational risk. As of 2009, a Basel I floor of 80% of Basel I RWA has been applicable. A small number of portfolios are still reported under the Standardized Approach.

In December 2010, the Basel Committee on Banking Supervision announced higher global minimum capital standards for banks, and has introduced a new global liquidity standard and a new leverage ratio to be phased in over 2014-2018. The Committee's package of reforms, collectively referred to as the Basel III rules, will, among other requirements, increase the amount of common equity required to be held by subject banking institutions, prescribe the amount of liquid assets and the long term funding a subject banking institution must hold at any given moment, and limit leverage. Banks will be required to hold a capital conservation buffer to withstand future periods of stress such that the required common equity Tier 1 ratio, when the buffer is fully phased in on 1 January 2019, will rise to 7%. Basel III also introduces a countercyclical buffer as an extension of the capital conservation buffer, which permits national regulators to require banks to hold more capital during periods of high credit growth (to strengthen capital reserves and moderate the debt markets). Further, Basel III will strengthen the definition of capital that will have the effect of gradually disqualifying many hybrid securities during the years 2013-2022, including the hybrids that were issued by the Group, from inclusion in regulatory capital, as well as the higher capital requirements (for example, for credit value adjustments (CVAs) and illiquid collateral) as part of a number of reforms to the Basel II framework. In addition, the Basel Committee and Financial Stability Board (FSB) published measures that would have the effect of requiring higher loss absorbency capacity, liquidity surcharges, exposure limits and special resolution regimes for, and instituting more intensive and effective supervision of, systemically important financial institutions (SIFIs), in addition to the Basel III requirements otherwise applicable to most financial institutions. The implementation of these measures began in 2012 and full implementation is targeted for 2019. ING Bank has been designated by the Basel Committee and FSB as a so-called Global Systemically Important Banks (G-SIBs), since 2011, and by DNB and the Dutch Ministry of Finance as a domestic SIB (D-SIB) since 2011.

For European banks these Basel III requirements have been implemented through the Capital Requirement Regulation (CRR) and the Capital Requirement Directive (CRD IV). The Dutch CRD IV Implementation Act has led to significant changes in the Dutch prudential law provisions, most notably with regard to higher capital and liquidity requirements for all banks. The CRD IV regime entered into effect in August 2014 in the Netherlands, but not all requirements are to be implemented all at once. Having started in 2014, the requirements will be gradually tightened, mostly before 2019, until the Basel III migration process is completed in 2022. While the full impact of the new Basel III rules, and any additional requirements for G-SIBs if and as applicable to the Group, will depend on how they are

implemented by national regulators, including the extent to which such regulators and supervisors can set more stringent limits and additional capital requirements or surcharges, as well as on the economic and financial

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environment at the time of implementation and beyond, we expect these rules to have a material impact on ING's operations and financial condition and may require the Group to seek additional capital. The DNB requires the largest Dutch banks, including ING Group, to build up a 3% Systemic Risk Buffer during 2016-2019 in addition to the capital conservation buffer and the countercyclical buffer described above, but this buffer then includes both the G-SIB and D-SIB buffers mentioned above.

Banks are also subject to Pillar 2 requirements. Pillar 2 refers to the capital that the supervisor requires a bank to hold depending on its risk profile, risk management and capital planning. Based on an internal capital adequacy assessment process (ICAAP), the ECB has examined ING's capital adequacy and set a Pillar 2 requirement of 1.75% for ING Group.

An agreement was reached on Basel IV in December 2017. While some elements still require more clarity, we believe the fully loaded Basel IV impact may lie in the range of a 15 -18 percent increase in risk-weighted assets (RWA) by 2027. This does not take into account possible management actions. TRIM (targeted review of internal models) may result in earlier impact on RWA via Pillar 2. The implied impact on capital ratios does not take into account any potential changes to the systemic risk buffer or Pillar 2 requirements. Note this also assumes the current asset mix to be the same in 2027, as well as modelled RWA based on the current economic environment. With a long implementation phase and the transposition into EU regulation still pending, some question marks remain on how this will shape up. ING is confident that it will meet the final requirements and as before we will continue executing our strategy for our clients and delivering growth at good returns.

ING Bank files consolidated quarterly and annual reports of its financial position and results with DNB in the Netherlands as well as with the ECB. ING Bank's independent auditors audit these reports on an annual basis.

United States

ING Bank has a limited direct presence in the United States through the ING Bank Representative Offices in New York and Dallas, Texas. Although the offices' activities are strictly limited to essentially that of a marketing agent of bank products and services and a facilitator (i.e. the offices may not take deposits or execute any transactions), the offices are subject to the regulation of the State of New York Department of Financial Services and the Texas Department of Banking, as well as the Federal Reserve. ING Bank also has a subsidiary in the United States, ING Financial Holdings Corporation, which through several operating subsidiaries (one of which is registered with the U.S. Commodity Futures Trading Commission as a swap dealer and another of which is registered with the U.S. Securities and Exchange Commission as a securities broker-dealer) offers various financial products, including lending, and financial markets products. These entities do not accept deposits in the United States on their own behalf or on behalf of ING Bank N.V.

Anti-Money Laundering Initiatives and countries subject to sanctions

In recent years, combating money laundering and terrorist financing has been a major focus of governmental policy towards financial institutions. Applicable bank regulatory authorities are imposing, and industry groups and participants are adopting, heightened standards, and law enforcement authorities have been taking a more active role in prosecuting potential violations. If a financial institution would fail to comply with relevant regulations or to maintain and implement adequate and appropriate programs to that end, this could have serious legal and reputational consequences for that institution.

The ING Bank Financial Economic Crime Policy and Minimum Standards (FEC Policy) directly reflect relevant national and international laws, regulations and industry standards. All client engagements, products and services of all majority owned ING Bank businesses (or business entities) and businesses under ING Bank's management control are in scope of the ING Bank FEC Policy.

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The requirements in the ING Bank FEC Policy cover minimum standards and controls related to: money laundering, terrorist financing, export trade controls, proliferation financing, sanctions (economic, financial and trade) and countries designated by ING Bank as Ultra High Risk Countries (UHRC). The effectiveness of those controls is reviewed periodically.

Management of ING Bank entities also maintain local procedures designed to enable them to comply with both local laws and regulations and the ING Bank FEC Policy.

ING Bank's FEC policy takes into account risks presented by doing business in certain specified countries that are targeted by EU and/or US sanctions regimes. ING's policy is not to enter into new relationships with clients from these countries, and processes remain in place to discontinue legacy relationships involving these countries. At present, these countries are North Korea, Sudan, Syria, Iran and Cuba. Each of these countries is subject to EU and/or US sanctions regimes. Iran, Sudan, and Syria are identified by the US as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls.

With regard to Iran specifically, Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added subsection (r) to Section 13 of the Securities Exchange Act of 1934, as amended, which requires us to disclose whether ING Group or any of its affiliates has engaged during the calendar year in certain Iran-related activities, including any transaction or dealing with the Government of Iran that is not conducted pursuant to a specific authorisation of the U.S. government.

ING Bank maintains a limited legacy portfolio of guarantees, accounts, and loans that involve various entities with a connection to Iran. These positions remain on the books but certain accounts related thereto are frozen where prescribed by applicable laws and procedures and in all cases subject to increased scrutiny within ING Bank. Specifically, ING Bank has controls in place to monitor transactions related to these accounts. ING Bank may receive loan repayments, duly authorised by the relevant competent authorities where prescribed by applicable laws. For the calendar year 2017, ING Group had revenues of approximately USD 0.5 million, which were principally related to legacy loans and ING Group estimates that it had a net profit of approximately USD 23,468. ING Bank maintains a policy not to enter into new relationships with clients from Iran and processes remain in place to discontinue existing relationships involving Iran.

In 2017, the Ukraine-related sanctions imposed by both the US and the EU remained in force. New sanctions regarding amongst others Russia were added pursuant to the Countering America's Adversaries Through Sanctions

Act (CAATSA). Those sanctions restrict, amongst others, the dealing in specific (financial) products with certain named parties.

Also in 2017, the US imposed sanctions on Venezuela, similar to the sectoral sanctions on Russia and primarily targeting the Government of Venezuela and the Venezuelan oil industry.

The UN, EU and the US have strengthened their sanctions regarding the Democratic People's Republic of Korea (North Korea) in 2017 resulting in an effective exclusion of North Korea from the global financial system. ING Bank has maintained a policy not to enter into new relationships with clients from North Korea, and not to participate in transactions that involve North Korean parties.

With a view to these ongoing developments ING continues to improve its sanctions compliance controls to respond to risks of new or expanding sanctions regimes.

Although the US terminated economic sanctions with respect to Sudan and the Government of Sudan in 2017, Sudan remains designated by the United States as a state sponsor of terrorism and certain Sudanese persons remain targeted by sanctions. After assessment of the remaining risks following termination of the sanctions, ING

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has decided to maintain its policy not to enter into new relationships with clients from Sudan and processes remain in place to discontinue existing relationships involving Sudan.

For further information regarding compliance with relevant laws, regulations, standards and expectations by ING Bank and its business in certain specified countries, see *Global Regulatory Environment* above.

Australia

ING's banking activities are undertaken in Australia by ING Bank (Australia) Limited (trading as ING) and ING Bank NV Sydney Branch. Banking activities, specifically licensing of an Authorised Deposit Taking Institution (ADI) in Australia are subject to regulation by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). In addition ING entities are required to comply with the requirements under the Anti-Money Laundering and Counter Terrorism Financing Act that is subject to regulatory compliance oversight by the Australian Transaction Reports and Analysis Centre (AUSTRAC).

APRA is responsible for the prudential regulation of banks and ADI's, life and general insurance companies, superannuation funds and Retirement Savings Account Providers. ASIC regulates corporate entities, markets, financial services and consumer credit activities. ASIC's aim is to protect markets and consumers from manipulation, deception and unfair practices and also promote confident participation in the financial system.

As an Australian incorporated subsidiary, ING Bank (Australia) Limited is required to comply with corporate requirements and in the event of listing of issued debt securities to comply with Australian Securities Exchange listing and disclosure requirements. ING Bank (Australia) Limited must demonstrate compliance with financial services laws as a condition to maintaining its Australian Financial Services Licence (AFSL) and Australian Credit Licence (ACL). ING Bank N.V., Sydney Branch is not an Australian incorporated legal entity. ING Bank N.V., Sydney Branch holds its own banking ADI license and AFSL which is limited to the provision of financial services to wholesale clients.

C. Organizational structure

General

ING Groep N.V., a publicly-listed company, is the parent of one main legal entity: ING Bank N.V. (ING Bank). ING Bank is the parent company of various Dutch and foreign banks.

Principal Group Companies

Reference is made to Exhibit 8 *List of subsidiaries of ING Groep N.V.*

D. Property, plants and equipment

ING predominantly leases the land and buildings used in the normal course of its business. In addition, ING has invested in land and buildings. Management believes that ING's facilities are adequate for its present needs in all material respects.

For information on property, plants and equipment, reference is made to Note 8 *Property and equipment*, for information on operating leases reference is made to Note 44 *Contingent liabilities and commitments* and for

information on investment properties reference is made to Note 10 Other assets of Note 2.1 to the consolidated financial statements.

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Item 4A. Unresolved Staff comments

Not applicable.

Item 5. Operating and financial review and prospects

The following operating and financial review and prospects should be read in conjunction with the consolidated financial statements and the related Notes thereto included elsewhere herein. The consolidated financial statements have been prepared in accordance with IFRS-IASB. Unless otherwise indicated, financial information for ING Group included herein is presented on a consolidated basis under IFRS-IASB.

A. Operating results

Factors affecting results of operations

ING Group's results of operations are affected by demographics, regulations and by a variety of market conditions, including economic cycles, banking industry cycles and fluctuations in stock markets, interest and foreign exchange rates, political developments and client behavior changes. For further information on regulations reference is made to Item 4. Information on the Company Regulation and Supervision. For further information on other factors that can impact ING Group's results of operations, reference is made to Item 3. Key information - Risk Factors for more factors that can impact ING Group's results of operations.

Financial environment

The world around us is constantly changing. This chapter highlights several trends that Regulatory landscape and continuing uncertainty have a major impact on our own operating environment, as well as on that of our competitors. This includes the economy and current low interest-rate environment; increasing regulatory scrutiny and costs; digitalisation and changing customer behaviour; and what our stakeholders expect of us.

Increased global economic momentum

Economic momentum picked up further in 2017, outpacing the global economic growth seen in 2016. In the United States, growth has remained strong. This is now the second-longest economic expansion since the end of World War II. At the same time inflation has stayed low, allowing the Federal Reserve to follow a very gradual path of interest rate increases.

In the euro area, all member states' economies are growing. The eurozone's economic performance was particularly positive, as the area recorded its lowest unemployment rate in nine years and economic confidence reached pre-crisis levels.

In the United Kingdom, economic growth has slowed, against a background of continued uncertainty about the future relationship with the European Union. The economy in Asia remained strong with growth rates of the advanced economies in that region generally accelerating. Growth in major emerging-market economies has improved overall, helped by a rebound in some commodity producers that experienced recessions in 2015-16.

Rates increase, but remain low

Longer-term government bond yields firmed somewhat compared to their 2016 lows on the back of a strengthening global economy, the Fed's US rate increases and the anticipated end to exceptionally easy monetary policy elsewhere.

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However, with inflation in most developed economies staying low, longer-term yields remained modest while equity markets in advanced economies performed well and corporate credit spreads were at, or close to, their tightest levels since the beginning of 2008. Volatility was subdued despite increased geopolitical tensions around North Korea.

Euro on the rise

The euro rose against the US dollar in 2017, propelled by the strengthening economic outlook in the euro area, diminishing political uncertainty and expectations about the tapering of quantitative easing in the euro area.

Regulatory landscape and continuing uncertainty

Continued delays around the Basel IV discussions (i.e. the revisions to Basel III) addressing the variability of banks internal models, which weren't finalised until December 2017, led to ongoing international uncertainty. This had an impact on strategic planning and business decisions for many banks. At a European level, the Single Supervisory Mechanism continued to strengthen its supervisory role through the ECB. This was reflected in the priorities it set for 2017: business models and profitability drivers; credit risk, with a focus on non-performing loans and risk concentrations; and risk management.

The Single Resolution Board adopted its first resolution decisions for banks from Italy and Spain. Meanwhile the resolvability of banks has been further improved by building up loss-absorption buffers. European global systemically important banks are advancing their bail-in issuances and will likely meet the internationally agreed total loss-absorbing capacity (TLAC) standards per 2022. Resolution authorities have provided European banks with initial targets for minimum requirement for own funds and eligible liabilities (MREL). These targets will be reviewed once the ongoing discussions on the bank recovery and resolution directive (BRRD) and the review of capital requirements regulations (CRR) have been finalised.

The Single Resolution Fund is also showing a steady increase. The size of the fund is now almost EUR 18 billion, aiming to meet the target requirement of EUR 55 billion in 2023. Despite the fact that the discussion on the European Deposit Insurance Scheme (EDIS) didn't show much progress throughout 2017, the completion of the Banking Union gained political momentum. In the course of 2018, further steps are expected to ensure its completion by 2019. We would also welcome a deepening of the Economic and Monetary Union, which would help to enhance economic and financial stability in the eurozone.

The range and complexity of non-prudential regulation (regarding other things than financial strength) continues to increase. Regulation is becoming more stringent in areas like customer due diligence, and transaction monitoring to detect and report money laundering (AML), terrorist financing and fraud. Individual country laws and specific regulations often prevent cross-border information sharing, between public and private authorities and between private parties. This restricts the effectiveness of bank systems and is most evident when large financial institutions operate a global compliance model.

ING will participate in a public/private sector partnership initiated by Europol and the Institute of International

Finance. This high-level forum aims to find better ways to share information within existing laws.

In general, ING continues to favour a more harmonised European approach to regulations. This would help to align the customer experience across borders and could accelerate the digitalisation of ING's banking services.

ING's regulatory costs increased to EUR 901 million from the already elevated level of EUR 845 million in 2016. This was due to ING's contribution to local deposit guarantee schemes, the European resolution fund and bank taxes.

2017 marked the kick-off of Brexit negotiations. ING is monitoring these closely to make Britain's exit from the EU as smooth as possible for our business and customers.

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Competitive landscape

Technology is removing a number of the barriers to entry that once insulated our business. We face competition from many different directions, with relatively new players providing more segmented offers to our customers. Technology giants, payment specialists, retailers, telecommunication companies, crowd-funding initiatives and aggregators are all entering the market for traditional banking services. Our customers, in turn, are more willing to consider these offers.

Safe banking requires specific knowledge of financial services, in-depth knowledge of customers, and rigorous risk-management systems. As competition from outside the banking sector continues to increase, we have to become faster, more agile and more innovative.

With our long track record and strong brand, we believe we are well placed to seize these opportunities and become a better company for all of our stakeholders. We are a leader in digital banking, and we have scale combined with local market expertise. We are investing in building profitable, mutually beneficial relationships with our customers based on the quality of our service and the differentiating experience we offer them. We continue to work hard to win their hearts and minds, demonstrating our concern for them and all our stakeholders. We aim to be even clearer about the strategic

The diagram at the bottom of this page shows what we perceive to be our strengths, weaknesses, opportunities and threats based on assessments by management.

Our perceived strengths, weaknesses, opportunities and threats

Strengths

Strong and trusted brand with positive recognition based on our differentiating customer experience in many countries

Leader in digital banking

Among leaders in sustainability

Balance sheet quality and stable funding base

Global network provides competitive advantage

Diversified business model

Agile way of working

Weaknesses

High interest-income dependency

Lower efficiency compared to disrupters (e.g. tech giants)

Diversity challenges

Opportunities

Leverage our customer trust and reputation

Improve the customer experience by accelerating innovation and becoming more agile

Embed data-driven culture

Create scalable cross-border banking platform Leverage expertise in digital delivery of advice and support aimed at improving customer decision-making

Increasing market for Sustainable Finance

Preferred banking partner for fintechs

Threats

Cybercrime

Potential competition from new entrants to the market

Low interest-rate environment

Expected Basel IV impact on our lending franchise

Increasingly complex regulatory environment leading to heightened execution and non-compliance risk

Lack of international level playing field in many relevant areas, like equity buffers, bank taxation, data (PSD2), remuneration

Financial sector continues to have an unfavourable public image in many countries

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Societal challenges

In our view, both climate change and the so-called fourth industrial revolution can lead to societal changes.

The effects of climate change, including the growing scarcity of water, food, energy and other material resources, pose daunting social and environmental challenges. The causes and the solutions to these challenges are complex, but we already know that they will change traditional business models.

Business models, but more importantly people's lives, will also be influenced by the so-called fourth industrial revolution – fast-changing technology such as artificial intelligence that will cause many jobs to change, be relocated or eliminated altogether.

We believe in taking the long view and in going beyond just mitigating the harm related to these challenges – we want to drive sustainable progress. Banks can bring about change through their financing choices. We aim to use our position to help lead the global transition to a low-carbon and self-reliant society, tackling climate change and the fourth industrial revolution.

Fluctuations in equity markets

Our banking operations are exposed to fluctuations in equity markets. ING Bank maintains an internationally diversified and mainly client-related trading portfolio. Accordingly, market downturns are likely to lead to declines in securities trading and brokerage activities which we execute for customers and therefore to a decline in related commissions and trading results. In addition to this, ING Bank also maintains equity investments in its own non-trading books. Fluctuations in equity markets may affect the value of these investments.

Fluctuations in interest rates

Our banking operations are exposed to fluctuations in interest rates. Mismatches in the interest re-pricing and maturity profile of assets and liabilities in our balance sheet can affect the future interest earnings and economic value of the bank's underlying banking operations. In addition, changing interest rates may impact the (assumed) behavior of our customers, impacting the interest rate exposure, interest hedge positions and future interest earnings, solvency and economic value of the bank's underlying banking operations. In the current low (and in some cases negative) interest rate environment in the Eurozone, the stability of future interest earnings and margin also depends on the ability to actively manage pricing of customer assets and liabilities. Especially, the pricing of customer savings portfolios in relation to re-pricing customer assets and other investments in our balance sheet is a key factor in the management of the bank's interest earnings.

Fluctuations in exchange rates

ING Group is exposed to fluctuations in exchange rates. Our management of exchange rate sensitivity affects the results of our operations through the trading activities and because we prepare and publish our consolidated financial statements in euros. Because a substantial portion of our income, expenses and foreign investments is denominated in currencies other than euros, fluctuations in the exchange rates used to translate foreign currencies, particularly the U.S. Dollar, Pound Sterling, Turkish Lira, Chinese Renminbi, Australian Dollar, Japanese Yen, Polish Zloty, Korean Won, the Indian Rupee, Brazilian Real and Russian Ruble into euros will impact our reported results of operations, cash flows and reserves from year to year. Fluctuations in exchange rates will also impact the value (denominated in euro) of our investments in our non-euro reporting subsidiaries. The impact of these fluctuations in exchange rates is mitigated to some extent by the fact that income and related expenses, as well as assets and liabilities, of each of our

non-euro reporting subsidiaries are generally denominated in the same currencies. FX translation risk is managed by taking into account the effect of translation results on the core Tier-1 ratio.

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For the years 2017, 2016 and 2015, the year-end exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for balance sheet items not denominated in euros), and the average quarterly exchange rates (which are the rates ING uses in the preparation of the consolidated financial statements for income statement items and cash flows not denominated in euros) were as follows for the currencies specified below:

Average	4Q 2017	3Q 2017	2Q 2017	1Q 2017
U.S. Dollar	1.182	1.170	1.106	1.065
Australian Dollar	1.531	1.491	1.462	1.414
Brazilian Real	3.849	3.737	3.568	3.358
Chinese Renminbi	7.799	7.823	7.575	7.344
Pound Sterling	0.882	0.894	0.864	0.857
Indian Rupee	76.362	75.538	71.449	71.165
Korean Won	1,307.241	1,326.929	1,250.125	1,229.362
Turkish Lira	4.453	4.112	3.935	3.877
Polish Zloty	4.234	4.262	4.209	4.320
Russian Rouble	68.682	68.846	63.415	62.727

Average	4Q 2016	3Q 2016	2Q 2016	1Q 2016
U.S. Dollar	1.083	1.114	1.127	1.102
Australian Dollar	1.449	1.480	1.501	1.509
Brazilian Real	3.542	3.630	3.915	4.298
Chinese Renminbi	7.380	7.421	7.375	7.184
Pound Sterling	0.868	0.845	0.790	0.768
Indian Rupee	73.007	74.716	75.369	74.036
Korean Won	1,250.197	1,249.993	1,303.320	1,308.371
Turkish Lira	3.530	3.303	3.228	3.213
Polish Zloty	4.375	4.369	4.373	4.329
Russian Rouble	68.135	72.309	73.620	80.409

Average	4Q 2015	3Q 2015	2Q 2015	1Q 2015
U.S. Dollar	1.093	1.114	1.102	1.137
Australian Dollar	1.526	1.534	1.429	1.448
Brazilian Real	4.295	3.938	3.434	3.243
Chinese Renminbi	6.984	7.005	6.833	7.080
Pound Sterling	0.724	0.720	0.721	0.746
Indian Rupee	72.070	72.416	69.898	70.898
Korean Won	1,271.902	1,296.208	1,213.660	1,250.293
Turkish Lira	3.217	3.178	2.929	2.805
Polish Zloty	4.262	4.199	4.109	4.185
Russian Rouble	73.576	69.379	60.022	70.981

Year-end	2017	2016	2015
U.S. Dollar	1.199	1.055	1.089
Australian Dollar	1.534	1.460	1.490
Brazilian Real	3.971	3.434	4.313
Chinese Renminbi	7.809	7.333	7.069
Pound Sterling	0.887	0.857	0.734
Indian Rupee	76.634	71.696	72.085
Korean Won	1,283.417	1,274.184	1,276.681
Turkish Lira	4.541	3.723	3.182
Polish Zloty	4.175	4.417	4.265
Russian Rouble	69.365	64.485	79.963

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Critical Accounting Policies

Critical Accounting Policies are composed of significant judgements and critical accounting estimates. For information regarding ING's significant judgements and critical accounting estimates, reference is made to 2.1.1 Notes to the accounting policies to the consolidated financial statements.

Consolidated result of operations

ING Group's management evaluates the results of ING Group's banking segments using a non-IFRS financial performance measure called underlying result. To give an overview of the underlying result measure, we also present consolidated underlying result before tax and underlying net result. Underlying figures are derived from figures determined in accordance with IFRS-IASB by excluding the impact of divestments, special items, Legacy Insurance and result from discontinued operations. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from ordinary operating activities.

While items excluded from underlying result are significant components in understanding and assessing the Group's consolidated financial performance, ING Group believes that the presentation of underlying net result is relevant and useful for investors because it allows investors to understand the primary method used by management to evaluate the Group's operating performance and make decisions about allocating resources. In addition, ING Group believes that the presentation of underlying net result helps investors compare its segment performance on a meaningful basis by highlighting result before tax attributable to ongoing operations and the underlying profitability of the segment businesses. For example, ING believes that trends in the underlying profitability of its segments can be more clearly identified by disregarding the effects of the big restructuring provisions and realized gains/losses on divestures as the timing of such events is largely subject to the Company's discretion and influenced by market opportunities and ING Group does not believe that they are indicative of future results. ING Group believes that the most directly comparable GAAP financial measure to underlying net result is net result. However, underlying net result should not be regarded as a substitute for net result as determined in accordance with IFRS-IASB. Because underlying net result is not determined in accordance with IFRS-IASB, underlying net result as presented by ING may not be comparable to other similarly titled measures of performance of other companies. In addition, ING Group's definition of underlying net result may change over time.

The section Segment Reporting Banking Operations on the next pages presents the segment results on the basis of the performance measure underlying result.

For further information on underlying result for the Banking activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 33 Segments of Note 2.1 to the consolidated financial statements.

Table of Contents**Group Overview**

The following table sets forth the consolidated results of ING Group in accordance with IFRS-IASB for the years ended 31 December 2017, 2016 and 2015:

IFRS-IASB Consolidated Income Statement

	2017	2016	2015
Amounts in millions of euros			
Continuing operations			
Interest income	43,890	44,182	46,321
Interest expense	30,243	30,941	33,760
Net interest income	13,647	13,241	12,561
Net commission income	2,710	2,433	2,318
Investment and Other income	2,233	2,228	3,127
Total income	18,590	17,902	18,007
Operating expenses	9,829	10,614	9,326
Addition to loan loss provisions	676	974	1,347
Total expenditure	10,505	11,588	10,673
Result before tax	8,085	6,314	7,334
Taxation	2,539	1,705	1,924
Net result from continuing operations	5,546	4,608	5,410
Net result from discontinued operations	0	441	-76
Non-controlling interests from continuing and discontinued operations	82	75	408
Net result IFRS-IASB	5,464	4,975	4,926

Reconciliation from IFRS-IASB to ING Group's underlying results

	2017	2016	2015
Amounts in millions of euros			
Net result IFRS-IASB	5,464	4,975	4,926
-/- Divestments ¹	0	0	367
-/- Special items ²	0	-799	-58
-/- Legacy Insurance	-52	33	-63
-/- Result from discontinued operations ³	0	441	-415

Underlying net result	5,516	5,300	5,095
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1. Divestments: net gain on merger between ING Vysya Bank and Kotak Mahindra Bank (EUR 367 million, 2015).
2. Special items: Tax charge of EUR 121 million at ING Australia Holdings Ltd related to the years 2007-2013, for which a full reimbursement is expected to be received from NN Group (impact on net result EUR 0 million, 2017); ING Group's digital transformation programmes (EUR -787 million, 2016), Retail Netherlands strategy (EUR -13 million, 2016, EUR -58 million, 2015).
3. Attributable to the equityholder of the parent, reference is made to Note 27 Discontinued operations of Note 2.1 to the consolidated financial statements for more information on discontinued business.

Table of Contents**Year ended 31 December 2017 compared to year ended 31 December 2016**

ING Group posted a strong set of results in 2017, driven by continued lending growth, increased fee income and lower risk costs. The net result rose to EUR 5,464 million from EUR 4,975 million in 2016, which included EUR -799 million of special items after tax (primarily comprising restructuring charges and impairments related to the digital transformation programmes as announced in October 2016), Legacy Insurance in an amount of EUR 33 million related to a higher valuation of warrants on NN Group and Voya shares compared with the end of 2015 and a EUR 441 million net result from the discontinued operations of NN Group. In 2017, there was one special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd related to the years 2007-2013, for which a full reimbursement is expected to be received from NN Group. Although the impact on net result was nil, this special item affected both the taxation and investment and other income lines. ING Group's 2017 net result also included a EUR 52 million loss on the warrants on NN Group and Voya shares.

Underlying net result for 2017 was EUR 5,516 million, an increase of 4.1% from EUR 5,300 million in 2016. Underlying net result is derived from total net result by excluding the impact of divestments, special items, Legacy Insurance and result from discontinued operations.

Year ended 31 December 2016 compared to year ended 31 December 2015

ING Group posted strong results in 2016, driven by higher net interest income and lower risk costs. This was realized despite a sharp increase in operating expenses due to EUR 1,157 million of pre-tax charges recorded as special items, primarily related to the digital transformation programmes as announced on ING's Investor Day on 3 October 2016. ING Group's net profit increased to EUR 4,975 million from a net result of EUR 4,926 million in 2015. ING Group's 2016 net result includes special items after tax in a total amount of EUR -799 million (including EUR -787 million related to ING Group's digital transformation programmes and EUR -13 million related to Retail Netherlands strategy), Legacy Insurance in an amount of EUR 33 million related to a higher valuation of warrants on NN Group and Voya shares compared with the end of 2015 and result from discontinued operations in an amount of EUR 441 million related to discontinued operations of NN Group.

Underlying net result for 2016 was EUR 5,300 million, an increase of 4.0% from EUR 5,095 million in 2015. Underlying net result is derived from total net result by excluding the impact of divestments, special items, Legacy Insurance and result from discontinued operations.

Segment Reporting

Underlying result as presented below is a non-IFRS financial measure and is not a measure of financial performance under IFRS-IASB. Because underlying result is not determined in accordance with IFRS-IASB, underlying result as presented by ING may not be comparable to other similarly titled measures of performance of other companies. The underlying result of ING's segments is reconciled to the Net result as reported in the IFRS-IASB Consolidated profit or loss account below. The information presented in this section is in line with the information presented to the Executive Board and Management Board Banking.

For further information on underlying result for the Banking activities, as well as the reconciliation of our segment underlying result before tax to our net result, see Note 33 Segments of Note 2.1 to the consolidated financial statements.

ING Group's segments are based on the internal reporting structures. The following table specifies the segments by line of business and the main sources of income of each of the segments:

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Retail Netherlands (Market Leaders)

Income from retail and private banking activities in the Netherlands, including the SME and mid-corporate segments. The main products offered are current and savings accounts, business lending, mortgages and other consumer lending in the Netherlands.

Retail Belgium (Market Leaders)

Income from retail and private banking activities in Belgium (including Luxembourg), including the SME and mid-corporate segments. The main products offered are similar to those in the Netherlands.

Retail Germany (Challengers and Growth Markets)

Income from retail and private banking activities in Germany (including Austria). The main products offered are current and savings accounts, mortgages and other customer lending.

Retail Other (Challengers and Growth Markets)

Income from retail banking activities in the rest of the world, including the SME and mid-corporate segments in specific countries. The main products offered are similar to those in the Netherlands.

Wholesale Banking

Income from wholesale banking activities (a full range of products is offered from cash management to corporate finance), real estate and lease.

The accounting policies of the segments are the same as those described in Note 1 Accounting policies of Note 2.1 to the consolidated financial statements. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to business lines based on time spent by head office personnel, the relative number of staff, or on the basis of income, expenses and/or assets of the segment.

The published 2017 Annual Accounts of ING Group includes this financial information in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). The segment reporting in the Annual report on Form 20-F has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS-IASB) for consistency with the other financial information contained in this report. The difference between the accounting standards is reflected in the Wholesale segment, and in the regions the Netherlands, Belgium, Germany and Other Challengers. Reference is made to Note 1 Accounting Policies for a reconciliation between IFRS-EU and IFRS-IASB.

Underlying result is derived from result determined in accordance with IFRS-IASB by excluding the impact of special items, divestments, Legacy Insurance and results from discontinued operations.

Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities. Disclosures on comparative periods also reflect the impact of current period's divestments. Legacy Insurance consists of the intercompany eliminations between ING Bank and NN Group until deconsolidation of NN Group at the end of May 2015 and the results from Insurance Other. Insurance Other reflects former insurance related activities that are not part of the discontinued operations.

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Corporate Line Banking

In addition to these segments, ING Group reconciles the total segment results to the total result of Banking using Corporate Line Banking. The Corporate Line Banking is a reflection of capital management activities and certain expenses that are not allocated to the banking businesses. The Corporate Line Banking includes the isolated legacy costs (mainly negative interest results) caused by the replacement of short-term funding with long-term funding during 2012 and 2013. ING Group applies a system of capital charging for its banking operations in order to create a comparable basis for the results of business units globally, irrespective of the business units' book equity and the currency they operate in.

Table of Contents**Banking Operations**

The following table sets forth the contribution of ING's banking business lines and the corporate line banking to the underlying net result for each of the years 2017, 2016 and 2015.

1 January to 31 December 2017	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Wholesale Other	Wholesale Banking	Corporate Line Banking	Total
Amounts in millions of euros							
Underlying income:							
- Net interest income	3,610	1,842	1,704	2,437	3,827	226	13,646
- Net commission income	601	408	215	384	1,108	-3	2,714
- Total investment and other income	257	224	-28	207	1,804	-301	2,162
Total underlying income	4,468	2,473	1,891	3,028	6,739	-78	18,521
Underlying expenditure:							
- Underlying operating expenses	2,212	1,584	1,032	1,919	2,792	290	9,829
- Additions to loan loss provision	13	104	-10	284	284	1	676
Total underlying expenditure	2,224	1,688	1,022	2,203	3,076	291	10,505
Underlying result before taxation	2,243	785	869	825	3,663	-369	8,016
Taxation	566	296	241	188	1,140	-13	2,418
Non-controlling interests		-2	2	67	15		82
Underlying net result	1,678	491	625	569	2,508	-356	5,516
Divestments Special items						0	0
Net result Banking	1,678	491	625	569	2,508	-356	5,516
Net result Legacy Insurance							-52
Net result from continuing operations							5,464
Net result from discontinued operations							
Net result IFRS-IASB							5,464

Table of Contents**1 January to 31 December 2016**

Amounts in millions of euros	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Wholesale Other Banking	Corporate Line Banking	Total
Underlying income:						
- Net interest income	3,653	1,936	1,689	2,107	3,750	13,241
- Net commission income	546	385	183	320	1,003	2,433
- Total investment and other income	237	253	51	432	1,266	2,195
Total underlying income	4,436	2,573	1,923	2,859	6,019	17,869
Underlying expenditure:						
- Underlying operating expenses	2,560	1,438	886	1,723	2,572	9,456
- Additions to loan loss provision	171	175	-18	278	368	974
Total underlying expenditure	2,731	1,613	868	2,001	2,940	10,430
Underlying result before taxation	1,705	961	1,055	858	3,079	7,439
Taxation	422	306	315	178	840	2,064
Non-controlling interests		1	2	60	11	75
Underlying net result	1,282	653	738	620	2,227	5,300
Divestments						
Special items	-192	-418		-12	-149	-799
Net result Banking	1,090	235	738	608	2,078	4,501
Net result Legacy Insurance						33
Net result from continuing operations						4,534
Net result from discontinued operations						441
Net result IFRS-IASB						4,975

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1 January to 31 December 2015	Retail Banking Netherlands	Retail Banking Belgium	Retail Banking Germany	Retail Other	Wholesale Banking	Corporate Line Banking	Total
Amounts in millions of euros							
Underlying income:							
- Net interest income	3,683	1,953	1,634	1,935	3,538	-153	12,590
- Net commission income	515	397	172	278	962	-4	2,320
- Total investment and other income	205	195	104	195	2,231	-127	2,803
Total underlying income	4,403	2,546	1,910	2,408	6,731	-285	17,713
Underlying expenditure:							
- Underlying operating expenses	2,475	1,532	842	1,594	2,559	245	9,246
- Additions to loan loss provision	433	169	57	210	478		1,347
Total underlying expenditure	2,908	1,701	899	1,804	3,036	-245	10,593
Underlying result before taxation	1,495	845	1,012	604	3,694	-530	7,120
Taxation	391	255	328	142	962	-125	1,953
Non-controlling interests		6	2	48	16		72
Underlying net result	1,104	583	681	414	2,717	-404	5,095
Divestments				367			367
Special items	-58						-58
Net result Banking	1,046	583	681	781	2,717	-404	5,404
Net result Legacy Insurance							-63
Net result from continuing operations							5,341
Net result from discontinued operations							-415
Net result IFRS-IASB							4,926

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result Banking (including the impact of divestments and special items) rose to EUR 5,516 million from EUR 4,501 million in 2016. In 2017, there was one special item related to a EUR 121 million tax charge at ING Australia Holdings Ltd, for which a full reimbursement is expected to be received from NN Group. Although the impact on net result was nil, this special item affected both the taxation and total investment and other income lines. Special items in 2016 included EUR -787 million after tax related to the digital transformation programmes announced in October 2016 and EUR -13 million after tax related to earlier announced restructuring programmes in Retail Netherlands.

ING's banking operations posted a strong set of results in 2017, resulting in an underlying result before tax (excluding the impact of divestments and special items) of EUR 8,016 million compared with EUR 7,439 million in 2016. This increase in result was positively affected by a EUR 406 million increase in fair value changes on derivatives (including a negative impact under net interest income of ending some hedge relationships) related to

asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page F- 20, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax rose 2.4% to EUR 7,199 million in 2017 from EUR 7,028 million in 2016, primarily driven by continued business growth at resilient interest margins, higher commission income and lower risk costs. This was

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achieved despite lower one-off gains and volatile items, and despite an increase in operating expenses. Commercial performance was robust in 2017: ING grew net core lending (adjusted for currency impacts and excluding Bank Treasury and the WUB and Lease run-off portfolios) by EUR 26.9 billion, or 4.8%, and net customer deposits rose by EUR 19.0 billion compared to year-end 2016. ING grew the retail customer base by 1.6 million to 37.4 million during 2017, including a 900,000 increase in the number of primary clients to 10.8 million.

Total underlying income increased 3.6% to EUR 18,521 million from EUR 17,869 million in 2016, despite lower one-off gains and volatile items in 2017. The underlying interest result rose 3.1% to EUR 13,646 million, including a EUR 68 million negative impact from ending certain hedge relationships related to the aforementioned asset-liability-management activities for the mortgage and savings portfolios. Excluding this item, the underlying interest result rose 3.6% to EUR 13,714 million from EUR 13,241 million in 2016, due to an increase of the net interest margin to 1.54% from 1.52% in 2016, combined with a slightly higher average balance sheet total. The increase of the average balance sheet was limited as continued growth in net core lending and customer deposits was largely offset by declines in investments and debt securities in issue. The interest result on customer lending activities increased driven by higher volumes at resilient margins. The interest result on customer deposits declined, as the impact of volume growth was more than offset by margin pressure on both savings and current accounts due to lower reinvestment yields and despite a further lowering of client savings rates in several countries. The growth of the interest result was furthermore supported by improved interest results in Bank Treasury and the Corporate Line, with part of the increase being structural due to a gradual redemption of the isolated legacy funding costs. Commission income rose 11.5% to EUR 2,714 million. The increase was recorded in most segments and products, with the relatively strongest growth in the Retail Challengers & Growth Markets. Total investment and other income slightly declined to EUR 2,162 million from EUR 2,195 million in 2016. This decline was mainly explained by a EUR 474 million increase in positive fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios. Excluding this item, total investment and other income fell to EUR 1,277 million from EUR 1,785 million in 2016. The decline was mainly caused by lower one-off gains (2016 included among others a EUR 200 million gain on the sale of Visa shares in Retail Banking and releases from revaluation reserves at Corporate Line) and negative hedge ineffectiveness results.

Underlying operating expenses increased 3.9% to EUR 9,829 million from EUR 9,456 million in 2016. In 2017, expenses included EUR 901 million of regulatory expenses compared with EUR 845 million in 2016. Excluding regulatory costs, expenses were up 3.7% mainly due to strategic projects (including an acceleration in digital investments), higher costs to support business growth and some one-offs.

The net addition to the provision for loan losses declined 30.6% to EUR 676 million from EUR 974 million in 2016. Risk costs were 22 basis points of average risk-weighted assets, which is well below ING's through-the-cycle average of 40-45 basis points.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result from banking operations (including the impact of divestments and special items) fell to EUR 4,501 million from EUR 5,404 million in 2015. Special items contributed EUR -799 million to the net result in 2016 compared with a EUR 309 million positive contribution from divestments and special items in 2015. Special items in 2016 included EUR -787 million after tax related to the planned digital transformation programmes announced on ING's Investor Day on 3 October 2016 and EUR -13 million after tax related to the earlier announced restructuring programmes in Retail Netherlands. Divestments in 2015 consisted of a EUR 367 million net gain resulting from the merger between ING Vysya Bank and Kotak Mahindra Bank and special items after tax in 2015 were EUR -58 million related to restructuring programmes in Retail Netherlands.

ING's underlying banking operations posted a strong performance in 2016 resulting in a underlying result before tax (excluding the impact of divestments and special items) of EUR 7,439 million compared with EUR 7,120 million in 2015. This increase in result was negatively impacted by a EUR 750 million decline in fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux,

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Germany and Czech Republic. These fair value changes are mainly caused by changes in market interest rates. As explained on page F-20, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding these fair value changes, the underlying result before tax rose 17.9% to EUR 7,028 million in 2016 from EUR 5,959 million in 2015, driven by higher net interest income reflecting the continuously positive business momentum and lower risk costs. This was achieved despite a EUR 225 million increase in regulatory costs during 2016.

Total underlying income rose 0.9% to EUR 17,869 million in 2016, from EUR 17,713 million in 2015. Net interest income increased 5.2% to EUR 13,241 million, driven by an increase of the net interest margin to 1.52% from 1.46% in 2015 combined with a slightly higher average balance sheet total. The increase of the average balance sheet was limited as strong growth in net core lending and customer deposits was largely offset by declines in among others financial assets at fair value through profit or loss and debt securities in issue. The interest result on customer lending activities increased driven by higher volumes at stable margins. The interest result on customer deposits was flat, as the impact of volume growth was offset by margin pressure on both savings and current accounts due to lower reinvestment yields and despite a further lowering of client savings rates in several countries. The growth of net interest income was furthermore supported by improved net interest income in the Corporate Line, with part of the increase being structural due to a gradual redemption of the isolated legacy funding costs. Net commission income rose 4.9% to EUR 2,433 million from EUR 2,320 million in 2015, particularly in the Challengers & Growth Markets. Total investment and other income fell to EUR 2,195 million from EUR 2,803 million in 2015. This decline was mainly explained by the aforementioned EUR 750 million drop in positive fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios and by a EUR 301 million negative swing in CVA/DVA adjustments in Wholesale Banking and the Corporate Line (which were EUR -77 million in 2016, compared with EUR 224 million in 2015). Excluding both items, total investment and other income increased by EUR 445 million, mainly due to a EUR 200 million gain on Visa shares and positive hedge ineffectiveness results, whereas 2015 included non-recurring charges related to the mortgage portfolios in Italy and Belgium due to higher-than-expected repayments and renegotiations.

Underlying operating expenses increased 2.3% to EUR 9,456 million, compared with EUR 9,246 million in 2015. In 2016, underlying operating expenses included EUR 845 million of regulatory expenses (including contributions to the new Dutch deposit guarantee scheme and a new bank tax in Poland) compared with EUR 620 million in 2015. Excluding regulatory costs, underlying operating expenses were marginally lower than a year ago. Increases due to IT investments and selective business growth in the Retail Challengers & Growth Markets and Wholesale Banking's Industry Lending, as well as additional provisioning for Dutch SME clients with interest rate derivatives that were sold in the Netherlands were fully offset by the benefits from the running cost-saving programmes and some incidental items, including an one-off expense adjustment in Belgium and an adjustment in the capitalization and amortization of software.

The net addition to the provision for loan losses declined 27.7% to EUR 974 million from EUR 1,347 million in 2015. Risk costs were 31 basis points of average risk-weighted assets, which is below ING Bank's through-the-cycle guidance range for risk costs of 40-45 basis points.

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Amounts in millions of euros	2017	2016	2015
Underlying income:			
Net interest income	3,610	3,653	3,683
Net commission income	601	546	515
Investment income and other income	257	237	205
Total underlying income	4,468	4,436	4,403
Underlying expenditure:			
Underlying operating expenses	2,212	2,560	2,475
Additions to the provision for loan losses	13	171	433
Total underlying expenditure	2,224	2,731	2,908
Underlying result before tax	2,243	1,705	1,495
Taxation	566	422	391
Underlying net result	1,678	1,282	1,104
Special items		-192	-58
Net result	1,678	1,090	1,046

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Netherlands rose to EUR 1,678 million from EUR 1,090 million in 2016. Underlying net result increased 30.9% to EUR 1,678 million from EUR 1,282 million in 2016. In 2017, there were no special items. In 2016, special items after tax excluded from underlying net result were EUR -192 million, of which EUR -180 million related to the digital transformation programmes announced in October 2016 and EUR -13 million to the restructuring programmes in Retail Netherlands announced before 2013.

The underlying result before tax of Retail Netherlands rose 31.6% to EUR 2,243 million from EUR 1,705 million in 2016, due to lower risk costs and the benefits from the cost-saving initiatives, while income was slightly up supported by higher commission income. Underlying income rose 0.7% to EUR 4,468 million. The interest result was 1.2% lower, mainly caused by a decline in lending volumes and margin pressure on current accounts, partly offset by higher margins on savings. The lower lending volumes were for more than half caused by a further decline in the WUB run-off portfolio, including the continued transfer of WUB mortgages to NN Group. Net core lending (excluding the WUB portfolio and Bank Treasury-related products) declined by EUR 2.5 billion, primarily in mortgages, whereas the decline in other lending was limited. Net customer deposits (excluding Bank Treasury) grew by EUR 4.6 billion. Commission income rose by EUR 55 million, or 10.1%, primarily in current account fees. Investment and other income was up EUR 20 million.

Underlying operating expenses declined 13.6% on 2016, mainly driven by the benefits from the cost-saving initiatives, while 2016 included additional provisioning for Dutch SME clients with interest rate derivatives and higher restructuring costs. Risk costs declined to EUR 13 million, or 3 basis points of average risk-weighted assets, from EUR 171 million in 2016, reflecting the positive economic conditions in the Netherlands and strong housing market.

Table of Contents**Year ended 31 December 2016 compared to year ended 31 December 2015**

Net result of Retail Netherlands rose to EUR 1,090 million from EUR 1,046 million in 2015. Underlying net result increased 16.1% to EUR 1,282 million from EUR 1,104 million in 2015. Special items after tax excluded from underlying net result were equal to EUR -192 million in 2016, of which EUR -180 million related to the planned digital transformation programmes announced on ING's Investor Day on 3 October 2016 and EUR -13 million to the restructuring programmes in Retail Netherlands announced before 2013. Special items after tax in 2015 were EUR -58 million and were fully related to the earlier announced restructuring programmes in Retail Netherlands.

Underlying result before tax of Retail Netherlands rose to EUR 1,705 million from EUR 1,495 million in 2015, due to lower risk costs while underlying income was resilient due to stable interest margins and higher revenues from Bank Treasury. Underlying income rose 0.7% to EUR 4,436 million. Net interest income slightly declined, mainly caused by a decline in lending volumes and margin pressure on current accounts, partly offset by higher margins on savings and lending. The lower lending volumes were partly caused by the continued transfer of WestlandUtrecht Bank (WUB) mortgages to NN Group and the run-off in the WUB portfolio. Net core lending book (excluding the WUB portfolio, Bank Treasury products and movements in the mortgage hedge) declined by EUR 4.2 billion in 2016. The decline was both in mortgages and other lending; the latter reflecting subdued demand in business lending. Net customer deposits (excluding Bank Treasury) grew by EUR 7.1 billion. Net commission income rose by EUR 31 million, or 6.0%, and investment and other income was up EUR 32 million, in part due to a gain on the sale of Visa shares.

Underlying operating expenses increased 3.4% to EUR 2,560 million from EUR 2,475 million in 2015, mainly due to higher regulatory costs and an additional provision for Dutch SME clients with interest-rate derivatives, whereas in 2015 underlying operating expenses included some smaller restructuring provisions. These factors were partly offset by the benefits from ongoing cost-saving initiatives. From the existing cost-saving programmes announced since 2011, which aim to realise EUR 675 million of annual cost savings by the end of 2017, an amount of EUR 562 million have already been realised. Risk costs declined to EUR 171 million, or 32 basis points of average risk-weighted assets, from EUR 433 million in 2015. The decline was both in business lending and residential mortgages, reflecting the improvements in the Dutch economy and housing market.

Table of Contents**RETAIL BELGIUM**

Amounts in millions of euros	2017	2016	2015
Underlying income:			
Net interest income	1,842	1,936	1,953
Net commission income	408	385	397
Investment income and other income	224	253	195
Total underlying income	2,473	2,573	2,546
Underlying expenditure:			
Underlying operating expenses	1,584	1,438	1,532
Additions to the provision for loan losses	104	175	169
Total underlying expenditure	1,688	1,613	1,701
Underlying result before tax	785	961	845
Taxation	296	306	255
Non-controlling interests	-2	1	6
Underlying net result	491	653	583
Special items		-418	
Net result	491	235	583

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Belgium rose to EUR 491 million in 2017 compared with EUR 235 million in 2016, which included EUR -418 million of special items after tax and were fully related to the digital transformation programmes as announced in October 2016. Underlying net result, which excludes special items, decreased 24.8% to EUR 491 million from EUR 653 million in 2016. The decline was partly caused by a higher underlying effective tax rate, mainly driven by the impact of a tax reform in Belgium, which resulted in a tax charge to record a reduction in deferred tax assets.

The underlying result before tax of Retail Belgium fell 18.3% to EUR 785 million in 2017, compared with EUR 961 million in 2016. The decline mainly reflects lower net interest income and higher expenses, partly offset by lower risk costs and increased fee income. Underlying income decreased to EUR 2,473 million from EUR 2,573 million in 2016. The interest result declined 4.9% to EUR 1,842 million, mainly due to lower margins on savings and current accounts, and lower prepayment and renegotiation fees on mortgages; this was partly offset by volume growth in lending. The net production in customer lending (excluding Bank Treasury) was EUR 4.7 billion, of which EUR 3.2 billion was in mortgages and EUR 1.5 billion in other lending. The net inflow in customer deposits was EUR 1.4 billion compared with year-end 2016. Commission income rose 6.0%, predominantly higher investment product fees. Investment and other income fell by EUR 29 million, as 2016 included a gain on the sale of Visa shares.

Operating expenses rose by EUR 146 million, or 10.2% to EUR 1,584 million, mainly due to higher external staff expenses related to the transformation programmes and the EUR -95 million one-off expense adjustment in 2016. Risk costs dropped by EUR 71 million to EUR 104 million, or 30 basis points of average risk-weighted assets. The decrease was fully in business lending, while risk costs for mortgages and consumer lending were broadly stable.

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Year ended 31 December 2016 compared to year ended 31 December 2015

Net result of Retail Belgium declined to EUR 235 million in 2016 compared with EUR 583 million in 2015. Underlying net result increased 12.0% to EUR 653 million from EUR 583 million in 2015. Special items after tax excluded from underlying net result were equal to EUR -418 million in 2016, and were fully related to the intended digital transformation programmes as announced on ING's Investor Day on 3 October 2016.

The underlying result before tax of Retail Belgium rose 13.7% to EUR 961 million in 2016, compared with EUR 845 million in 2015, reflecting lower expenses and slightly higher income. Underlying income increased 1.1% to EUR 2,573 million, from EUR 2,546 million in 2015, supported by higher Bank Treasury revenues and a gain on the sale of Visa shares. Net interest income declined 0.9%, mainly due to lower margins on savings and current accounts, as well as on mortgages due to lower prepayment and renegotiation fees, which was largely offset by increased volumes in most products. The net production in the customer lending portfolio (excluding Bank Treasury) was EUR 4.8 billion, of which EUR 1.7 billion in mortgages and EUR 3.2 billion in other lending. The net inflow in customer deposits was EUR 1.4 billion. Net commission income was 3.0% lower. Investment and other income rose by EUR 58 million, driven by the Visa gain. Underlying operating expenses declined by EUR 94 million, or 6.1% to EUR 1,438 million, due to a EUR -95 million one-off expense adjustment in 2016. Risk costs increased by EUR 6 million to EUR 175 million, or 54 basis points of average risk-weighted assets. The increase was mainly in business lending due to a few specific files, while risk costs for mortgages and consumer lending declined.

Table of Contents**RETAIL GERMANY**

Amounts in millions of euros	2017	2016	2015
Underlying income:			
Net interest income	1,704	1,689	1,634
Net commission income	215	183	172
Investment income and other income	-28	51	104
Total underlying income	1,891	1,923	1,910
Underlying expenditure:			
Underlying operating expenses	1,032	886	842
Additions to the provision for loan losses	-10	-18	57
Total underlying expenditure	1,022	868	899
Underlying result before tax	869	1,055	1,012
Taxation	241	315	328
Non-controlling interests	2	2	2
Underlying net result	625	738	681
Net result	625	738	681

Year ended 31 December 2017 compared to year ended 31 December 2016

Both net result and underlying net result of Retail Germany decreased by EUR 113 million, or 15.3%, to EUR 625 million in 2017 from EUR 738 million in 2016. There were no special items or divestments in 2017 and 2016.

Retail Germany's underlying result before tax decreased 17.6% to EUR 869 million, compared with EUR 1,055 million in 2016. The decrease was primarily caused by higher operating expenses; income was slightly lower, whereas risk costs resulted (again) in a net release. Underlying income decreased slightly to EUR 1,891 million in 2017 from EUR 1,923 million in 2016, when result was supported by a gain on the sale of Visa shares. Net interest income rose 0.9% following continued business growth, partly offset by lower interest margins on most products. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 2.7 billion, of which EUR 1.7 billion was in mortgages and EUR 1.0 billion in consumer lending. Net inflow in customer deposits (excluding Bank Treasury) was EUR 3.8 billion in 2017. Commission income rose 17.5% to EUR 215 million, with investment products as one of the key drivers. Investment and other income was EUR 79 million lower, mainly due to negative hedge results and the EUR 44 million gain on the sale of Visa shares in 2016.

Operating expenses increased 16.5% to EUR 1,032 million, from EUR 886 million in 2016. The increase was next to EUR 30 million higher regulatory costs, mainly due to a higher headcount to support business growth, higher costs related to the acquisition of primary customers and investments in strategic projects (including project Welcome). Risk costs were EUR -10 million in 2017 (compared with EUR -18 million in 2016), reflecting a benign credit environment in the German market and model updates for consumer lending and overdrafts.

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Year ended 31 December 2016 compared to year ended 31 December 2015

Both net result and underlying net result of Retail Germany increased by EUR 57 million, or 8.4%, to EUR 738 million in 2016 from EUR 681 million in 2015. There were no special items or divestments in 2016 and 2015.

Retail Germany's underlying result before tax increased 4.2% to EUR 1,055 million, compared with EUR 1,012 million in 2015. This increase was supported by a net release in risk costs, partly offset higher expenses. Underlying income rose 0.7% to EUR 1,923 million, from EUR 1,910 million in 2015, supported by a gain on the sale of Visa shares. Net interest income increased 3.4% following continued business growth, partly offset by lower margins on most products. Net inflow in customer deposits (excluding Bank Treasury) was EUR 9.0 billion in 2016. The net production in customer lending (excluding Bank Treasury and movement in the mortgage hedge) was EUR 3.8 billion, of which EUR 3.0 billion was in mortgages and EUR 0.8 billion in consumer lending. Net commission income rose 6.4% to EUR 183 million. Investment and other income decreased by EUR 53 million, due to lower gains on the sale of bonds and less positive hedge ineffectiveness results, which was partly compensated by a EUR 44 million gain on the sale of Visa shares. Underlying operating expenses increased 5.2% to EUR 886 million, from EUR 842 million in 2015. The increase was mainly due to a higher headcount in order to support business growth and customer acquisition, as well as investments in strategic projects. This was partly offset by lower regulatory costs. The cost/income ratio was 46.1%, compared with 44.1% in 2015. Risk costs turned to a net release of EUR 18 million from a net addition of EUR 57 million in 2015, reflecting a benign credit environment in the German market and model updates for mortgages.

Table of Contents**RETAIL OTHER**

Amounts in millions of euros	2017	2016	2015
Underlying income:			
Net interest income	2,437	2,107	1,935
Net commission income	384	320	278
Investment income and other income	207	432	195
Total underlying income	3,028	2,859	2,408
Underlying expenditure:			
Underlying operating expenses	1,919	1,723	1,594
Additions to the provision for loan losses	284	278	210
Total underlying expenditure	2,203	2,001	1,804
Underlying result before tax	825	858	604
Taxation	188	178	142
Non-controlling interests	67	60	48
Underlying net result	569	620	414
Divestments			367
Special items		-12	
Net result	569	608	781

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Retail Other decreased to EUR 569 million in 2017 compared with EUR 608 million in 2016, when the net result included EUR -12 million in special items after tax related to the digital transformation programmes as announced on ING's Investor Day in October 2016. Underlying net result, which excludes special items, declined to EUR 569 million in 2017 compared with EUR 620 million in 2016.

Retail Other's underlying result before tax decreased 3.8% to EUR 825 million in 2017, from EUR 858 million in 2016, which was supported by a EUR 109 million gain on the sale of Visa shares. Total underlying income increased by EUR 169 million, or 5.9%, to EUR 3,028 million. Excluding the gain on Visa shares in 2016, underlying income grew by 10.1%. This increase was driven by strong commercial results across most countries. Net interest income rose 15.7% to EUR 2,437 million due to continued volume growth and higher margins on lending, partly offset by lower margins on savings and current accounts. The net production (excluding currency effects and Bank Treasury) in customer lending was EUR 9.3 billion, of which EUR 5.1 billion was in mortgages and EUR 4.2 billion in other lending (mainly consumer loans). The net production in customer deposits was EUR 8.1 billion. Commission income rose 20.0% driven by continued client and volume growth in most countries. Investment and other income was significantly lower, as the previous year included a EUR 109 million gain on Visa shares, but also a EUR 32 million gain from the reduction of ING's stake in Kotak Mahindra Bank.

Operating expenses increased by EUR 196 million, or 11.4%, to EUR 1,919 million. This increase was mainly due to increased staff and marketing expenses in most countries to support business, as well as higher investments for strategic projects. The addition to the provision for loan losses was EUR 284 million, or 58 basis points of average risk-weighted assets, compared with EUR 278 million, or 57 basis points, in 2016. The slight increase was mainly attributable to higher risk costs in Poland, Spain and (to a lesser extent) Australia, partly offset by declines in Italy and Turkey.

Table of Contents**Year ended 31 December 2016 compared to year ended 31 December 2015**

Net result of Retail Other decreased to EUR 608 million in 2016 compared with EUR 781 million in 2015, when the net result included a EUR 367 million gain from divestments, reflecting the result from the merger between ING Vysya Bank and Kotak Mahindra Bank. In 2016, special items after tax were EUR -12 million, fully related to the digital transformation programmes as announced on ING's Investor Day on 3 October 2016. Excluding divestments and special items, underlying net result rose to EUR 620 million in 2016 compared with EUR 414 million in 2015.

Retail Other's underlying result before tax rose to EUR 858 million, from EUR 604 million in 2015. The increase was largely attributable to a EUR 109 million gain on the sale of Visa shares in 2016, while 2015 included a EUR 97 million of non-recurring charges in Italy related to increased prepayments and renegotiations of fixed-term mortgages. Total underlying income increased by EUR 451 million, or 18.7%, to EUR 2,859 million. Excluding the gain on Visa shares in 2016 and the one-off charge in Italy in 2015, underlying income grew by 9.8%. This increase was mainly attributable to revenue growth in most businesses and was furthermore supported by a EUR 32 million one-time gain from the reduction of ING's stake in Kotak Mahindra Bank. Net interest income rose 8.9% due to volume growth in most countries and higher margins on lending, partly offset by lower margins on current accounts. Net production (excluding currency effects and Bank Treasury) in both customer lending and customer deposits was EUR 7.8 billion in 2016. Net commission income rose 15.1% due to continued client and volume growth in most countries. Underlying operating expenses increased by EUR 129 million, or 8.1%, to EUR 1,723 million. This increase was mainly due to increased regulatory costs as well as higher IT and professional-services expenses related to strategic projects. The cost/income ratio improved to 60.3% from 66.2% in 2015. The addition to the provision for loan losses was EUR 278 million, or 57 basis points of average risk-weighted assets in 2016, up from EUR 210 million, or 45 basis points of average risk-weighted assets in 2015. The increase was mainly attributable to higher risk costs in Turkey.

Table of Contents**WHOLESALE BANKING**

Amounts in millions of euros	2017	2016	2015
Underlying income:			
Net interest income	3,827	3,750	3,538
Net commission income	1,108	1,003	962
Investment income and other income	1,804	1,266	2,231
Total underlying income	6,739	6,019	6,731
Underlying expenditure:			
Underlying operating expenses	2,792	2,572	2,559
Additions to the provision for loan losses	284	368	478
Total underlying expenditure	3,076	2,940	3,036
Underlying result before tax	3,663	3,079	3,694
Taxation	1,140	840	962
Non-controlling interests	15	11	16
Underlying net result	2,508	2,227	2,717
Special items		-149	
Net result	2,508	2,078	2,717

Year ended 31 December 2017 compared to year ended 31 December 2016

Net result of Wholesale Banking rose to EUR 2,508 million in 2017 compared with EUR 2,078 million in 2016, when the net result included EUR -149 million in special items after tax related to the digital transformation programmes as announced in October 2016. Underlying net result, which excludes special items, increased to EUR 2,508 million compared with EUR 2,227 million in 2016. The underlying effective tax rate rose to 31.1% from 27.3% in 2016, partly caused by the impact of tax reforms in the US and Belgium, which resulted in a tax charge to record a reduction in deferred tax assets.

Wholesale Banking's underlying result before tax increased to EUR 3,663 million in 2017, from EUR 3,079 million in 2016. Fair value changes on derivatives (including a negative impact under net interest income of ending certain hedge relationships) related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic were EUR 817 million in 2017, up from EUR 411 million in 2016. These fair value changes are mainly a result of changes in market interest rates. As explained on page F-20, no hedge accounting is applied to these derivatives under IFRS-IASB. Excluding the aforementioned fair value changes on derivatives related to asset-liability-management activities, underlying result before tax was EUR 2,846 million, up 6.7% from 2016, driven by income growth in Industry Lending and General Lending & Transaction Services, and lower risk costs. This was in part offset by higher expenses.

Industry Lending posted an underlying result before tax of EUR 1,966 million, up 13.2% compared with 2016, due to continued business growth in Structured Finance and Real Estate Finance at attractive margins, higher fee income and lower risk costs. The underlying result before tax from General Lending & Transaction Services rose 22.5% to EUR 751 million, due to higher income and lower risk costs. Income was supported by volume growth in Working Capital Solutions and General Lending, partly offset by some pressure on margins. Financial Markets underlying result before tax fell to EUR 82 million from EUR 134 million in 2016. This decline was mainly due to higher expenses, in part due to higher regulatory costs and investments in IT infrastructure. Income was stable, despite a very weak fourth quarter in 2017. Excluding CVA/DVA impacts (EUR -36 million in 2017 versus EUR -71 million in 2016) income

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declined by EUR 34 million. The underlying result before tax of Bank Treasury & Other rose to EUR 864 million from EUR 596 million in 2016, reflecting the aforementioned fair value changes on derivatives related to asset-liability-management activities. Excluding the fair value changes, the underlying result before tax of Bank Treasury & Other fell to EUR 47 million from EUR 185 million in 2016. This decline was next to lower Bank Treasury results, mainly caused by higher risk costs (primarily related to the Italian lease run-off portfolio) and some litigation provisions. This was partly offset by higher sale results in the run-off businesses, including a EUR 97 million gain on the sale of an equity stake in the real estate run-off portfolio.

Underlying income of Wholesale Banking increased 12.0% on 2016, due to the aforementioned fair value changes on derivatives related to asset-liability-management activities. Excluding this item, underlying income increased 5.6% to EUR 5,922 million, compared with 2016, driven by volume growth in lending and the aforementioned gain on the sale of an equity stake. Wholesale Banking's net core lending book (adjusted for currency impacts and excluding Bank Treasury and the Lease run-off portfolio) grew by EUR 12.7 billion in 2017. The net inflow in customer deposits (excluding currency impacts and Bank Treasury) was EUR 1.1 billion. The interest result rose 3.9% on 2016, whereas commission income increased by 10.5%. Investment and other income was EUR 64 million higher, driven by the gain on the sale of an equity stake. Underlying operating expenses increased 8.6% to EUR 2,792 million, mainly due to higher headcount to support business growth, increased additions to litigation provisions and higher regulatory costs. Risk costs declined to EUR 284 million, or 19 basis points of average risk-weighted assets, from EUR 368 million, or 24 basis points in 2016. The relatively low risk costs in 2017 were supported by several larger net releases for clients and only a few larger new additions, and was realised despite higher risk costs for the Italian lease run-off portfolio.

Year ended 31 December 2016 compared to year ended 31 December 2015

Net result of Wholesale Banking declined to EUR 2,078 million in 2016 compared with EUR 2,717 million in 2015. Underlying net result decreased to EUR 2,227 million from EUR 2,717 million in 2015. Special items after tax excluded from underlying net result were equal to EUR -149 million in 2016 and were fully related to the intended digital transformation programmes as announced on ING's Investor Day on 3 October 2016.

Wholesale Banking's underlying result before tax decreased to EUR 3,079 million in 2016, from EUR 3,694 million in 2015. Fair value changes on derivatives related to asset-liability-management activities for the mortgage and savings portfolios in the Benelux, Germany and Czech Republic were EUR 411 million in 2016, down from EUR 1,161 million in 2015. These fair value changes are mainly a result of changes in market interest rates. As explained on page F-20, no hedge accounting is applied to these derivatives under IFRS-IASB. Credit and debt valuation adjustments (CVA/DVA), fully recorded in Financial Markets, were EUR -71 million in 2016 compared with EUR 181 million in 2015. Excluding the aforementioned fair value changes on derivatives related to asset-liability-management activities, underlying result before tax rose 5.3% from 2015. Also excluding CVA/DVA impacts, the increase in pre-tax result was 16.4%, reflecting excellent performance in Industry Lending, steady volume growth across industries and products, and a lower level of risk costs.

Industry Lending posted an underlying result before tax of EUR 1,736 million, up 14.4% compared with 2015, driven by continued business growth in Structured Finance and Real Estate Finance at attractive margins. The underlying result before tax from General Lending & Transaction Services rose by 31.3% to EUR 613 million, due to lower expenses and risk costs. Income growth was limited as volume growth was largely offset by some pressure on margins. Financial Markets underlying result before tax fell to EUR 134 million from EUR 462 million in 2015, largely due to the aforementioned negative swing in CVA/DVA impacts. The underlying result before tax of Bank Treasury & Other fell to EUR 596 million from EUR 1,248 million in 2015, mainly reflecting the aforementioned fair value changes on derivatives related to asset-liability-management activities. Excluding the fair value changes, the underlying pre-tax result of Bank Treasury & Other was EUR 185 million, up from EUR 87 million in 2015, which

was negatively impacted by a EUR 92 million impairment on an equity stake. Also excluding this impairment, the pre-tax

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result increased by EUR 6 million as higher Bank Treasury results were offset by lower results in the run-off businesses, mainly due to lower sales results in the Real Estate Development portfolio.

Underlying income declined 10.6% on 2015, due to the aforementioned fair value changes on derivatives related to asset-liability-management-activities. Excluding this item, underlying income increased 0.7% to EUR 5,608 million compared with 2015. Also excluding CVA/DVA impacts, income rose 5.4% driven by strong volume growth in lending and higher income in Bank Treasury. Net production of customer lending (excluding Bank Treasury and currency impacts) was EUR 21.8 billion in 2016. Wholesale Banking's net core lending book (also excluding Lease run-off) grew by EUR 22.6 billion, due to strong growth in Structured Finance and General Lending & Transaction Services. The net inflow in customer deposits (excluding Bank Treasury and currency impacts) was EUR 3.1 billion. Net interest income rose 6.0% on 2015, whereas net commission income increased by 4.3%. Underlying operating expenses increased 0.5% to EUR 2,572 million, mainly due to higher regulatory costs and an increase in FTEs to support business growth. This increase was largely offset by benefits from cost saving initiatives and lower IT change costs. The previously announced restructuring programmes are on track to realise EUR 340 million of annual cost savings by the end of 2017. At the end of 2016, EUR 305 million of annual cost savings had already been realised. Risk costs declined to EUR 368 million, or 24 basis points of average risk-weighted assets, from EUR 478 million, or 33 basis points of average risk-weighted assets, in 2015. Lower risk costs were mainly visible in General Lending and to a lesser extent Industry Lending, in part due to larger releases on Ukraine clients.

Table of Contents**Consolidated assets and liabilities**

The following table sets forth ING Group's condensed consolidated assets and liabilities as of 31 December 2017 and 2016, reference is made to F-4 for the complete Consolidated statement of financial position 2017 of ING Group.

Amounts in billions of euros	2017	2016
Cash and balances with central banks	22.0	18.1
Loans and advances to banks	28.8	28.9
Financial assets at fair value through profit or loss	123.2	122.1
Investments	79.1	91.7
Loans and advances to customers	571.9	560.2
Other assets	18.9	21.3
Assets held for sale		
Total assets	843.9	842.2
Deposits from banks	36.8	32.0
Customer deposits	539.8	522.9
Financial liabilities at fair value through profit or loss	87.2	99.0
Other liabilities	18.9	20.1
Debt securities in issue/subordinated loans	112.1	120.4
Liabilities held for sale		
Total liabilities	794.8	794.4
Shareholders' equity	48.4	47.3
Non-controlling interests	0.7	0.6
Total equity	49.1	47.9
Total liabilities and equity	843.9	842.2
Shareholders' equity per Ordinary Share (in EUR)	12.47	12.19

Year ended 31 December 2017 compared to year ended 31 December 2016

ING Group increased its total assets by EUR 2 billion, or 0.2%, to EUR 844 billion at year-end 2017 from EUR 842 billion at year-end 2016. Excluding EUR 17 billion of negative currency impacts, the increase was EUR 19 billion.

Loans and advances to customers increased by EUR 12 billion, which was due to the growth of the net core customer lending base by EUR 27 billion, partly offset by a reduction in non-core customer lending (among others in the WUB and Lease run-off portfolios) and negative currency impacts. Cash and balances with central banks was EUR 4 billion higher. These increases were largely offset by EUR 13 billion lower investments.

ING Group increased its customer deposits by EUR 17 billion, of which EUR 19 billion was driven by net growth, excluding currency impacts and Bank Treasury. Deposits from banks were EUR 5 billion higher. These increases were largely offset by EUR 12 billion lower financial liabilities at fair value through profit or loss (mainly lower trading derivatives) and EUR 8 billion lower debt securities in issue/subordinated loans (as maturities and redemptions were only partly offset by new issuances, among others, for TLAC purposes).

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Shareholders' equity increased by EUR 1.1 billion, from EUR 47.3 billion at the end of 2016 to EUR 48.4 billion at the end of 2017. The increase was mainly due to the net result for the year 2017, partly offset by dividend payments and decreases in the currency translation reserve and cash flow hedge reserve.

B. Liquidity and capital resources

Capital Management

ING Groep N.V. is a holding company whose principal asset is its investments in the capital stock of ING Bank, its primary banking subsidiary. The liquidity and capital resource considerations for ING Groep N.V. and ING Bank vary in light of the business conducted by each, as well as the regulatory requirements applicable to the Group in the Netherlands and the other countries in which it does business. ING Groep N.V. has no employees and substantially all of ING Groep N.V.'s operating expenses are allocated to and paid by its operating companies.

For information regarding capital management, reference is made to Note 2.2.2 Capital Management to the consolidated financial statements. In addition to the restrictions in respect of minimum capital and capital base requirements that are imposed by banking and other regulators in the countries in which ING Groep N.V.'s subsidiaries operate, other limitations exist in certain countries. For further information, reference is made to Item 3. Key Information - Risk Factors and Item 4. Information on the Company Regulation and Supervision.

Funding and liquidity

As a holding company, ING Groep N.V.'s principal sources of funds are funds that may be raised from time to time from the issuance of debt or equity securities and bank or other borrowings, as well as cash dividends received from its subsidiaries. For information regarding funding and liquidity, see Note 2.2.1 Risk Management to the consolidated financial statements.

At 31 December 2017, 2016 and 2015, ING Groep N.V. had EUR nil, EUR nil and EUR 49 million of cash, respectively. Dividends paid to the Company by its subsidiaries amounted to EUR 3,182 million, EUR 1,354 million and EUR 2,282 million in 2017, 2016 and 2015, respectively, in each case representing dividends paid with respect to the reporting calendar year and the prior calendar year. The amounts paid to ING Groep N.V. were received from ING Bank, EUR 3,176 million in 2017, EUR 1,345 million in 2016 and EUR 2,200 million in 2015, from ING Support Holding, EUR 6 million in 2017 and 9 million in 2016 and from NN Group EUR 82 million in 2015. In 2015, ING Groep N.V. injected EUR 57 million into its direct subsidiary, NN Group. In 2017 and 2016, no injections into its direct subsidiaries took place.

ING Groep N.V. and its Dutch subsidiaries are subject to legal restrictions on 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.

As a holding company, ING Groep N.V.'s total debt and capital securities outstanding to third parties at 31 December 2017 was EUR 14,187 million, at 31 December 2016 was EUR 10,528 million and at 31 December 2015 EUR 12,376 million. The EUR 14,187 million of debt and capital securities outstanding at 31 December 2017 consisted of subordinated loans of EUR 8,306 million and debenture loans of EUR 5,881 million, both specified below:

Table of Contents**Subordinated loans**

Amounts in millions of euros			Statement of financial position value
Interest rate	Year of issue	Due date	2017
1.625%	2017	26 September 2029	984
4.000%	2017	14 September 2032	83
4.250%	2017	23 June 2032	133
1.150%	2017	14 June 2029	89
1.100%	2017	31 May 2027	74
3.000%	2017	11 April 2028	1,058
2.500%	2017	15 February 2029	742
6.875%	2016	Perpetual	829
6.500%	2015	Perpetual	1,036
6.000%	2015	Perpetual	831
9.000%	2008	Perpetual	10
6.375%	2007	Perpetual	872
6.125%	2005	Perpetual	584
Variable	2004	Perpetual	553
Variable	2003	Perpetual	428
			8,306

Debenture loans

Amounts in millions of euros			
Interest rate	Year of issue	Due date	2017
3.950%	2017	29 March 2027	1,246
3.150%	2017	29 March 2022	1,246
2.843%	2017	29 March 2022	820
0.750%	2017	9 March 2022	1,443
1.375%	2017	11 January 2028	970
4.69999%	2007	1 June 2035	156
			5,881

At 31 December 2017 and 2016, ING Groep N.V. also owed EUR 367 million and EUR 35 million, respectively, to ING Group companies pursuant to intercompany lending arrangements. At 31 December 2017 ING Group Companies owed ING Group N.V. EUR 21,101 million, as a result of normal intercompany transactions.

On the maturity profile of borrowings and a further description of the borrowings reference is made to Notes 17 Debt securities in issue and 18 Subordinated Loans in Note 2.1 to the consolidated financial statements. The use of financial instruments for hedging purposes is described in Note 38 Derivatives and hedge accounting in Note 2.1 to the consolidated financial statements, reference is made to that note.

Table of Contents**ING Group Consolidated Cash Flows****Year ended 31 December 2017 compared to year ended 31 December 2016**

Net cash flow from operating activities amounted to EUR -5,253 million for the year ended 31 December 2017, compared to EUR 8,553 million at year-end 2016. The decrease in cash flow from operating activities of EUR 13,806 million was due to higher cash outflows from net trading balances, EUR-22,509 million (2017; EUR 11,187 million, 2016 EUR 11,322 million), and higher cash outflows re non-trading derivatives of EUR -4,051 (2017 EUR -2,239 million, 2016 EUR 1,812 million). These higher cash outflows are partly offset by a decrease in cash outflows from loans and advances of EUR 8,266 (2017 EUR -21,390 million, 2016 EUR-29,656) and lower cash outflows from financial assets and liabilities at fair value through profit or loss EUR 3,709 million (2017 EUR -124 million, 2016 EUR - 3,833 million).

Cash inflows increased due to a decrease of net positions with banks EUR 4,698 million (2017 EUR 3,194 million, 2016 EUR -1,504 million) and an increase in profit before tax EUR 1,332 million (2017 EUR 8,085 million, 2016 EUR 6,753 million). These increases of cash inflows were offset by decreases in cash inflows due to lower cash inflows from customer deposits EUR -5,202 million (2017 EUR 18,291 million, 2016 EUR 23,493 million)

Net cash flow from operating activities was largely affected by the cash outflow from newly issued mortgage loans, corporate lending and personal lending. The cash outflow to trading assets was due to higher trading balances consisting of loans and receivables and equity shares. Cash inflows relate to increased customer deposits and are mainly due to increased savings individuals and credit balances on customer accounts, decreased net positions from and to other banks and net income results. In 2016 there was a large cash outflow from loans and advances to customers and a large cash inflow from trading assets. The strong cash inflow from trading assets in 2016 is related to a combination of fewer equity securities required to hedge equity swaps, fewer trading government bonds and a decrease in reverse repurchase activities.

Net cash flow from investing activities amounted EUR 11,754 million, from EUR 6,134 million in 2016. Investments in available-for-sale securities amounted EUR 21,601 million and EUR 27,003 million in 2017 and 2016, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 32,788 million and EUR 32,540 million in 2017 and 2016, respectively.

Net cash flow from financing activities amounted EUR -3,948 million in 2017, compared to EUR -19,057 million in 2016. The decrease of EUR 15,109 million in net cash flow is mainly due lower repayments of debt securities.

The operating, investing and financing activities described above resulted in an increase of EUR 2,813 million in cash and cash equivalents from EUR 16,164 million at year-end 2016 to EUR 18,977 million at year end 2017.

Specification of cash position:

Amounts in millions of euros	2017	2016
Treasury bills and other eligible bills	391	512
Amounts due from/to banks	-3,403	-2,492
Cash and balances with central banks	21,989	18,144
Cash and cash equivalents at end of year	18,977	16,164

Table of Contents**Year ended 31 December 2016 compared to year ended 31 December 2015**

Net cash flow from operating activities amounted to EUR 8,553 million for the year ended 31 December 2016, compared to EUR 10,577 million at year-end 2015. The decrease in cash flow from operating activities of EUR 2,023 million is due to an increased cash outflow re loans and advances partly due to increased corporate lending offset by an increased cash inflow from amounts due to and from banks.

Net cash flow from operating activities largely resulted from the cash outflow from loans to and deposits from banks and the large cash inflow from trading assets. In 2016 there was a small cash outflow from loans and deposits to and from banks compared to a strong cash inflow in 2015 mainly related to less (reverse) repurchase transaction. In 2016 the cash inflow from trading assets is related to a combination of fewer equity securities required to hedge equity swaps, fewer trading government bonds and a decrease in reverse repurchase activities.

Net cash flow from investing activities was EUR 6,134 million, from EUR 4,196 million in 2015. Investments in available-for-sale securities was EUR 27,004 million and EUR 47,858 million in 2016 and 2015, respectively. Disposals and redemptions of available-for-sale securities amounted to EUR 35,539 million and EUR 52,675 million in 2016 and 2015, respectively.

Net cash flow from financing activities was EUR -19,057 million in 2016, compared to EUR -11,165 million in 2015. The decrease of EUR 7,892 million in net cash flow is mainly due to the proceeds from debt securities and dividends paid compensated by an inflow from repayments on subordinated loans.

The operating, investing and financing activities described above resulted in a net cash and cash equivalents of EUR 16,164 million at year end 2016, compared to EUR 20,379 million at year-end 2015, a decrease of EUR 4,218 million.

Specification of cash position:

Amounts in millions of euros	2016	2015
Treasury bills and other eligible bills	512	363
Amounts due from/to banks	-2,492	-1,442
Cash and balances with central banks	18,144	21,458
Cash and cash equivalents at end of year	16,164	20,379

Sovereign Debt Exposures

For information regarding certain sovereign debt exposures, see Note 5 Investments of Note 2.1.2 and Note 2.2.1 Risk Management to the consolidated financial statements.

C. Research and development, patents and licenses, etc.

Not applicable.

D. Trend information

For information regarding trend information, see Item 5.A of this Form 20-F.

E. Off-balance sheet arrangements

For information regarding off-balance sheet arrangements, see Note 44 of Note 2.1 to the consolidated financial statements and see Note 2.2.1 Risk Management to the consolidated financial statements.

Table of Contents**F. Tabular disclosure of contractual obligations**

For information about future payments in relation to pension benefit liabilities reference is made to Note 16 Other liabilities in Note 2.1 to the consolidated financial statements. For information about coupon interest due on financial liabilities by maturity bucket reference is made to Note 40 Liabilities by maturity in Note 2.1 to the consolidated financial statements. For information on future rental commitments reference is made to Note 44 Contingent liabilities and commitments in Note 2.1 to the consolidated financial statements. For information on securitization arrangements and structured entity details reference is made to Note 48 Structured entities in Note 2.1 to the consolidated financial statements.

Contractual obligations

Amounts in millions of euros	Total	Payment due by period		
		Less than one year	1-5 years	More than 5 years
2017				
Operating lease obligations	1,252		780	472
Subordinated loans	15,777			15,777 ¹
Debt securities in issue	94,353	44,387	37,717	12,249
Total	111,382	44,387	38,497	28,498
2016				
Operating lease obligations	1,242	0	766	476
Subordinated loans	16,991	1,769	2,010	13,212 ¹
Debt securities in issue	105,097	40,486	44,089	20,522
Total	123,330	42,255	46,865	34,210

¹ The maturity bucket more than 5 years includes subordinated loans of EUR 5,176 million (2016: EUR 7,204) with no maturity date (perpetual).

Item 6. Directors, Senior Management and Employees**A. Directors and senior management
Supervisory Board****Appointment, suspension and dismissal**

Members of the Supervisory Board are appointed, suspended and dismissed by the General Meeting. For the appointment of Supervisory Board members, the Supervisory Board may draw up a binding list, which may be rendered non-binding by the General Meeting.

A resolution of the General Meeting to render this list non-binding, or to suspend or dismiss Supervisory Board members without this being proposed by the Supervisory Board, requires an absolute majority of the votes cast. Additionally, this majority must represent more than half of the issued share capital. The Articles of Association exclude the waiver of the latter requirement in a second General Meeting. Thus it is ensured that significant proposals of shareholders cannot be adopted in a General Meeting with a low attendance rate and can only be adopted with substantial support of ING Group's shareholders.

Candidates for appointment to the Supervisory Board must comply with the suitability and reliability requirements as set out in the Dutch Financial Supervision Act and must continue to meet these while in function.

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Function of the Supervisory Board

The function of the Supervisory Board is to supervise the policy of the Executive Board and the general course of affairs of ING Group and its business, as well as to provide advice to the Executive Board.

In line with Dutch company law, the Articles of Association, the Corporate Governance Code as well as the Supervisory Board Charter, all members of the Supervisory Board are required to:

Act in accordance with the interests of ING Group and the business connected with it, taking into account the relevant interests of all stakeholders of ING Group;

Perform their duties without mandate and independent of any interest in the business of ING Group; and

Refrain from supporting one interest without regard to

the other interests involved.

According to the Banker's Oath that was taken by the members of the Supervisory Board, they must carefully consider the interests of all stakeholders of ING. In that consideration they must put the customer's interests at the centre of all their activities. Certain resolutions of the Executive Board, specified in the Articles of Association, in the Executive Board Charter and in the Supervisory Board Charter, are subject to approval of the Supervisory Board.

ING Group indemnifies the members of the Supervisory Board against direct financial losses in connection with claims from third parties as far as permitted by law on the conditions laid down in the Articles of Association and an indemnity statement. ING Group has taken out liability insurance for the members of the Supervisory Board.

Profile of members of the Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. It is available on the website of ING Group (www.ing.com).

In view of their experience and the valuable contribution that former members of the Executive Board can make to the Supervisory Board, it has been decided, taking into account the size of the Supervisory Board and ING's wide range of activities that such individuals may become members of the Supervisory Board of ING Group. Former Executive Board members must wait at least one year before becoming eligible for appointment to the Supervisory Board.

Former members of the Executive Board are not eligible for appointment to the position of chairman or vice-chairman of the Supervisory Board.

After a former member of the Executive Board has been appointed to the Supervisory Board, this member may also be appointed to one of the Supervisory Board's committees. However, appointment to the Audit Committee is only possible if the individual in question resigned from the Executive Board at least three years prior to such appointment.

The Supervisory Board of ING shall consist of a mix of persons with executive experience, preferably gained in the banking sector, experience in corporate governance of large stock-listed companies and experience in the political and social environment in which such companies operate. In the selection of Supervisory Board members, ING is striving for a balance in nationality, gender, age, and educational and work background. In addition, there should be a balance in the experience and affinity with the nature and culture of the business of ING and its subsidiaries. More specifically ING strives to have at least 30% of the seats held by women, and at least 30% of the seats by men. These guidelines, that relate to the composition of the Supervisory Board, are laid down in the Supervisory Board Profile. Based on this profile, the Supervisory Board is responsible for selecting and nominating candidates for appointment or reappointment to the Supervisory Board.

With respect to gender diversity, in the course of 2017 two female board members (Isabel Martín Castellá and Ann Sherry) stepped down from the Supervisory Board and one female member (Margarete Haase) was appointed. From

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January up to May the percentage of females exceeded 30% of the total composition, with an annual average of 28%. Considering the appointment of Margarete Haase and further measures to be taken, the preferred composition in terms of gender will be adhered to as soon as reasonably possible.

We believe that the Supervisory Board, diversity wise, is well-balanced. in terms of other relevant diversity aspects. Overall, the preferred emphasis on members with a financial or banking background has been maintained, although for 2017 it was decided to attract two new members (Hans Wijers and Jan Peter Balkenende) with a broader, more generic background, having experience in the political and social environment as well. In terms of nationality, the ratio between Dutch and non-Dutch nationals in 2017 was on average 50%-50%.

Term of appointment of members of the Supervisory Board

As a general rule, Supervisory Board members step down from the Supervisory Board in the fourth, eight, 10th and

12th year after their initial appointment. They are eligible for re-appointment in the fourth year after their initial appointment and, with explanation, also in the eight and 10th year.

Under special circumstances the Supervisory Board may, with explanation, deviate from this general rule, for instance to maintain a balanced composition of the Supervisory Board and/or to preserve valuable expertise and experience. The schedule for resignation by rotation is available on the website of ING Group (www.ing.com).

Ancillary positions/conflicting interests

Members of the Supervisory Board may hold other positions, including directorships, either paid or unpaid. CRD IV restricts the total number of supervisory board positions or non-executive directorships with commercial organisations that may be held by a Supervisory Board member to four, or to two, if the Supervisory Board member also has an executive board position. The European Central Bank may, under special circumstances, permit a Supervisory Board member to fulfil an additional supervisory board position or non-executive directorship. Positions with, inter alia, subsidiaries or qualified holdings are not taken into account in the application of these restrictions. Such positions may not conflict with the interests of ING Group. It is the responsibility of the individual member of the Supervisory Board and the Supervisory Board to ensure that the directorship duties are performed properly and are not affected by any other positions that the individual may hold outside ING Group.

Members of the Supervisory Board are to disclose material conflicts of interest (including potential conflicts of interest) and to provide all relevant information relating to them. The Supervisory Board without the member concerned taking part then decides whether a conflict of interest exists.

In case of a conflict of interest, the relevant member of the Supervisory Board abstains from discussions and decision-making on the topic or the transaction in relation to which he or she has a conflict of interest with ING Group.

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions involving members of the Supervisory Board in which there are material conflicting interests are disclosed in the Annual Report.

Any relation that a member of the Supervisory Board may have with ING Group subsidiaries as an ordinary, private individual, is not considered a significant conflict of interest. Such relationships are not reported, with the exception of

any loans that may have been granted.

Independence

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The members of the Supervisory Board are requested to assess annually whether the criteria of dependence set out in the Corporate Governance Code do not apply to them and to confirm this in writing. On the basis of these criteria, all members of the Supervisory Board, with the exception of Eric Boyer de la Giroday, are to be regarded as independent on 31 December 2017. Eric Boyer de la Giroday is not considered independent because of his former position as Chairman of the Board of Directors of ING Belgium S.A./N.V. and his former positions as member of the Executive Board of ING Group and vice-chairman of the Management Board Banking of ING Bank N.V. On the basis of the NYSE listing standards, all members of the Supervisory Board are independent.

Committees of the Supervisory Board

On 31 December 2017, the Supervisory Board had four committees: the Risk Committee, the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee.

The organisation, powers and conduct of the Supervisory Board are detailed in the Supervisory Board Charter that can be found on www.ing.com/17ar12.

Separate charters have been drawn up for the Risk Committee, the Audit Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee. These charters are available on the website of ING Group (www.ing.com). A short description of the duties for the four Committees follows below.

The Risk Committee assists and advises the Supervisory Board in monitoring the risk profile of ING as a whole as well as the structure and operation of the internal risk management and control systems. On 31 December 2017, the members of the Risk Committee were:

Robert Reibestein (chairman), Jan Peter Balkenende, Eric Boyer de la Giroday, Mariana Gheorghe, Hermann-Josef Lamberti and Jeroen van der Veer.

The Audit Committee assists and advises the Supervisory Board in monitoring the integrity of the financial statements of ING Group, and ING Bank N.V., in monitoring the compliance with legal and regulatory requirements and in monitoring the independence and performance of ING Group's internal and external auditors. On 31 December 2017, the members of the Audit Committee were: Hermann-Josef Lamberti (chairman), Eric Boyer de la Giroday, Robert Reibestein and Hans Wijers. Following the unforeseen departure in September 2015 of Carin Gorter, the Supervisory Board has determined that no member of the Audit Committee is an audit committee financial expert as defined by the SEC. The Supervisory Board subsequently sought to identify further members of the Audit Committee who would also qualify as an audit committee financial expert as defined by the SEC. This resulted in the proposed appointment of Margarete Haase; the Supervisory Board has determined that she is an audit committee financial expert as defined by the SEC. Margarete Haase was appointed as a member of the Supervisory Board at the General Meeting in May 2017.

In light of the planned reduction of the number of her directorships at other companies, the appointment of Margarete Haase will become effective as per 1 May 2018 (as decided by the Supervisory Board in January 2018). Following the effectiveness of her appointment, Margarete Haase will also be a member of the Audit Committee. As per 1 October 2017 she already has been present as an observer at the meetings of the Audit Committee and the Supervisory Board. Eric Boyer de la Giroday is a financial expert as defined in the Dutch Corporate Governance Code considering his academic background as well as his knowledge and experience in his previous role as board member and vice-chairman of ING Groep N.V. and ING Bank N.V.

The Nomination and Corporate Governance Committee's tasks include advising the Supervisory Board on the composition of the Executive Board and Supervisory Board and assisting the Supervisory Board in monitoring and evaluating the corporate governance of ING as a whole and the reporting thereon in the Annual Report and to the General Meeting, and advises the Supervisory Board on improvements. On 31 December 2017, the members of the

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Nomination and Corporate Governance Committee were: Jeroen van der Veer (chairman), Henk Breukink and Hans Wijers.

The Remuneration Committee's tasks include advising the Supervisory Board on the terms and conditions of employment (including remuneration) of the members of the Executive Board and on the policies and general principles on which the terms and conditions of employment of the members of the Executive Board and of senior managers of ING Group and its subsidiaries are based. On 31 December 2017, the members of the Remuneration Committee were: Henk Breukink (chairman), Robert Reibestein, Jeroen van der Veer and Hans Wijers.

The composition of the Supervisory Board Committees can be found on ING Group's website (www.ing.com).

Company secretary

The Supervisory Board is assisted by the company secretary Cindy van Eldert-Klep.

Remuneration and share ownership

Remuneration of the members of the Supervisory Board is determined by the General Meeting and is not dependent on the results of ING Group. Details of the remuneration are provided in the Remuneration report on page 100. Members of the Supervisory Board are permitted to hold shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Supervisory Board in these shares are subject to the ING regulations regarding insiders.

ING regulations regarding insiders are available on the website of ING Group (www.ing.com/17ar14).

Information on members of the Supervisory Board

J. (Jeroen) Van der Veer (Chairman)

(Born 1947, Dutch nationality, male; appointed in 2009, term expires in 2018)

Former position: Chief Executive Officer of Royal Dutch Shell plc.

Relevant positions pursuant to CRD IV:

Chairman of the Supervisory Board of ING Groep N.V./ ING Bank N.V., chairman of the Supervisory Board of Koninklijke Philips N.V., Member of the Supervisory Board of Koninklijke Boskalis Westminster N.V. and member of the Supervisory Board of Statoil ASA.

Other relevant ancillary positions:

Chairman of Stichting Het Concertgebouw Fonds (foundation) and chairman of the Supervisory Council of the Delft University of Technology, and senior advisor at Mazarine Energy B.V.

H.J.M. (Hermann-Josef) Lamberti (Vice- Chairman)

(Born 1956, German nationality, male; appointed in 2013, term expires in 2021) Former position: Chief Operating Officer of Deutsche Bank AG.

Relevant positions pursuant to CRD IV:

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Vice-chairman of the Supervisory Board of ING Groep N.V./ING Bank N.V., non-executive member of the Board of Directors of Airbus Group N.V., chairman of the Supervisory Board of Addiko Bank and director of Frankfurt Technology Management GmbH.

As at 31 December 2017 Hermann-Josef Lamberti holds one executive and three non-executive positions. As per section 91 of CRD IV, this exceeds the maximum of (non-)executive positions allowed for (under section 3:8 of the Dutch Financial Supervision Act), i.e. one non-executive position too many. In consultation with the European Central Bank (ECB) and based on the aforementioned article a request has been submitted to the ECB to authorise Hermann-Josef Lamberti to hold one additional non-executive position in order to comply with the board limitation rules.

J.P. (Jan Peter) Balkenende

(Born 1956, Dutch nationality, male; appointed in 2017, term expires in 2021)

Former position: partner EY (on corporate responsibility).

Balkenende started as an observer for the Supervisory Board until 1 September 2017.

Relevant positions pursuant to CRD IV:

Member of the Supervisory Board of ING Groep N.V./ING Bank N.V. per 1 September 2017.

Other relevant ancillary positions:

Professor of governance, institutions and internationalisation of Erasmus University Rotterdam (the Netherlands), external senior adviser to EY, Chairman of the Advisory Board of the International Advisory Board (IAB) Rotterdam, member of the Supervisory Board of Goldschmeding Foundation, chairman of the Board of Maatschappelijke Alliantie (the Netherlands) and chairman of the Advisory Board of Noaber Foundation.

E.F.C.B. (Eric) Boyer de la Giroday

(Born 1952, Belgian nationality, male: appointed in 2014, term expires in 2018)

Former position: member of the Executive Board of ING Groep N.V. and ING Bank N.V.

Relevant positions pursuant to CRD IV:

Member of the Supervisory Board of ING Groep N.V./ING Bank N.V. and non-executive chairman of the Board of Directors of ING Belgium S.A./N.V.

Other relevant ancillary position:

Non-executive director of the board of directors of the Instituts Internationaux de Physique et de Chimie fondés par Ernest Solvay, asbl.

H.W. (Henk) Breukink

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(Born 1950, Dutch nationality, male; appointed in 2007, term expires in 2019)

Former position: Managing Director of F&C and country head for F&C Netherlands (asset management firm).

Relevant positions pursuant to CRD IV:

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Member of the Supervisory Board of ING Groep N.V./ING Bank N.V., non-executive director of Brink Groep B.V. and executive director of Executive Development Dialogue B.V.

M. (Mariana) Gheorghe

(Born 1956, Romanian nationality, female, appointed in 2015, term expires in 2019)

Former position: international banker with the European Bank for Reconstruction.

Relevant positions pursuant to CRD IV:

Member of the Supervisory Board of ING Groep N.V./ING Bank N.V., chief executive officer of OMV Petrom S.A., chairwoman of the Supervisory Board of OMV Petrom Marketing, chairwoman of the Supervisory Board of OMV Petrom Gas and member of the Supervisory Board of OMV Petrom Global Solutions.

M. (Margarete) Haase

(Born 1953, Austrian nationality, female; appointed in 2017, term expires in 2021)

Former position: member of the Executive Board of Daimler financial services.

Margarete Haase started as an observer for the Audit Committee and the Supervisory Board on 1 October 2017, until her outside positions would meet the CRD IV requirements; her membership will become effective as per 1 May 2018. As observer she is present at the Supervisory Board and Audit Committee meetings, however, as an observer she does not participate in the decision-making.

Relevant positions pursuant to CRD IV:

Member of the Supervisory Board of ING Groep N.V./ING Bank N.V. (effective per 1 May 2018), chief financial officer and member of the Executive Board of Deutz AG, member of the Supervisory Board and chairwoman of the Audit Committee of Fraport AG, Member of the Supervisory Board and chairwoman of the Audit Committee of ZF Friedrichshafen AG.

Other relevant ancillary positions:

Chairwoman of the Employers Association of Kölnmetall and member of the German Corporate Governance Commission.

R.W.P. (Robert) Reibestein

(Born 1956, Dutch nationality, male; appointed in 2012 as an observer, full member as of 2013, term expires in 2021)
Former position: senior partner of McKinsey & Company.

Relevant positions pursuant to CRD IV:

Member of the Supervisory Board of ING Groep N.V./ING Bank N.V. and member of the Supervisory Board of IMC B.V.

Other relevant ancillary position:

Member of the Supervisory Board of Stichting World Wildlife Fund (the Netherlands).

G.J. (Hans) Wijers

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(Born 1951, Dutch nationality, male, appointed in 2017, term expires in 2021)

Former position: Chief Executive Officer and Member of the Executive Board of AkzoNobel N.V.

Relevant positions pursuant to CRD IV:

Member of the Supervisory Board of ING Groep N.V./ ING Bank N.V. per 1 September 2017, chairman of the Supervisory Board and chairman of the preparatory committee and selection & appointment committee of Heineken N.V., non-executive director and deputy chairman of the Board of Directors and chairman of the corporate and social responsibility committee of Royal Dutch Shell Plc, and member of the Supervisory Board of Hal Investments Plc.

Other relevant ancillary positions:

Chairman of the Supervisory Board of Het Concertgebouw N.V. and chairman of the board of Vereniging Natuurmonumenten (the Netherlands) Changes in the composition

In May 2017, the General Meeting appointed Jan Peter Balkenende, Margarete Haase and Hans Wijers to the Supervisory Board. During 2017, Isabel Martin Castellá retired and Ann Sherry stepped down from the Supervisory Board.

Executive Board

Appointment, suspension and dismissal

Members of the Executive Board are appointed, suspended and dismissed by the General Meeting. For the appointment of Executive Board members, the Supervisory Board may draw up a binding list, which may be rendered non-binding by the General Meeting.

A resolution of the General Meeting to render this list non-binding, or to suspend or dismiss Executive Board members without this being proposed by the Supervisory Board, requires an absolute majority of the votes cast. Additionally, this majority must represent more than half of the issued share capital. The Articles of Association exclude the waiver of the latter requirement in a second General Meeting. Thus it is ensured that significant proposals of shareholders cannot be adopted in a General Meeting with a low attendance rate and can only be adopted with substantial support of ING Group's shareholders.

Candidates for appointment to the Executive Board must comply with the suitability and reliability requirements as set out in the Dutch Financial Supervision Act and must continue to meet these while in function.

Function of the Executive Board

The Executive Board is charged with the management of ING Group. This includes responsibility for setting and achieving ING Group's strategy, objectives and policies, as well as the ensuing delivery of results. It also includes the day-to-day management of ING Group. The Executive Board is accountable for the performance of these duties to the Supervisory Board and the General Meeting. The responsibility for the management of ING Group is vested in the Executive Board collectively. The organisation, powers and modus operandi of the Executive Board are detailed in the Executive Board Charter as approved by the Supervisory Board.

The Executive Board Charter is available on the website of ING Group (www.ing.com/17ar11).

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According to the Banker's Oath that is taken by the members of the Executive Board, they must carefully consider the interests of all stakeholders of ING. In that consideration they must put the customer's interests at the centre of all their activities.

ING Group indemnifies the members of the Executive Board against direct financial losses in connection with claims from third parties, as far as permitted by law, on the conditions laid down in the Articles of Association and their commission contract. ING Group has taken out liability insurance for the members of the Executive Board.

Profile of members of the Executive Board

The Supervisory Board has drawn up a profile to be used as a basis for selecting members of the Executive Board. It is available on the website of ING Group (www.ing.com).

ING Group aims to have an adequate and balanced composition of its Executive Board. The Supervisory Board annually assesses the composition of the Executive Board.

ING aims for the Executive Board of ING to consist of a diverse selection of persons with executive experience, preferably gained in the banking sector, experience in corporate governance of large stock-listed companies and experience in the political and social environment in which such companies operate. In addition, there should be a good balance in the experience and affinity with the desired nature and culture of the business of ING. ING strives to have at least 30% of the seats held by women, and at least 30% of the seats by men.

These guidelines, that relate to the composition of the Executive Board, are laid down in the Executive Board Profile. Based on this profile, the Supervisory Board is responsible for selecting and nominating candidates for appointment or reappointment to the Executive Board.

During 2017, two new members were appointed to the Executive Board. The current members have been with ING in several positions and therefore jointly possess the right experiences and affinity with ING's activities, culture and market environment. In the wider Management Board Banking a female board member was appointed in 2016. Currently, there are no female members in the Executive Board, although that ambition of gender diversity remains unchanged. This remains a key topic for the Supervisory Board with respect to succession planning and future appointments to the Executive Board.

Remuneration and share ownership Members of the Executive Board are permitted to hold shares in the share capital of ING Group for long-term investment purposes. Transactions by members of the Executive Board in these shares are subject to the ING regulations for insiders. These regulations are available on the website of ING Group (www.ing.com).

Details of the remuneration of members of the Executive Board, including shares granted to them, together with additional information, are provided in the Remuneration report .

Ancillary positions/conflicting interests

No member of the Executive Board has corporate directorships at listed companies outside ING.

Transactions involving actual or potential conflicts of interest

In accordance with the Corporate Governance Code, transactions with members of the Executive Board in which there are significant conflicts of interest will be disclosed in the Annual Report.

Significant conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by ING Group subsidiaries in the ordinary course of their business on terms that apply to all employees. In connection with the aforementioned, the

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term loans does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current account, because of a lack of materiality.

For an overview of loans granted to members of the Executive Board, see page 117 Item 6 B Compensation.

Information on members of the Executive Board

R.A.J.G. (Ralph) Hamers,

Chief Executive Officer (CEO)

(Born 1966, Dutch nationality, male; appointed in 2013, current term expires in 2021)

Ralph Hamers has been a member of the Executive Board of ING Group since 13 May 2013 and was appointed CEO and chairman of the Executive Board and the Managing Board Banking on 1 October 2013. He is responsible for the proper functioning of the Executive Board and the Management Board Banking and its committees, formulating and implementing ING's strategy, acting as main contact for the Supervisory Board. He is also responsible for the following departments: Innovation, Legal, Corporate Strategy, Corporate HR, Corporate Communications and Corporate Audit Services. He joined ING in 1991 and has held various positions including global head Wholesale Banking Network from 2007 to 2010, head of Network Management for Retail Banking Direct & International from

2010 to 2011, and CEO of ING Belgium and Luxembourg from 2011 to 2013. He holds a Master of Science degree in Business Econometrics/Operations Research from Tilburg University, the Netherlands. Relevant positions pursuant to CRD IV¹:

Chairman and CEO of the Executive Board of ING Groep N.V. and of the Management Board of ING Bank N.V.

Other relevant ancillary positions:

Member of the Management Board of the Nederlandse Vereniging van Banken (NVB), member of the Board of Directors of the Institute of International Finance, Inc. and non-executive member of the board of Foundation Royal Concertgebouw Orchestra Amsterdam.

J.V. (Koos) Timmermans,

Chief Financial Officer (CFO)

(Born 1960, Dutch nationality, male; appointed in 2017, term expires in 2021)

Koos Timmermans has been a member of the Executive Board and CFO of ING Group since 8 May 2017. He also serves as a member and CFO on the Management Board Banking. He is responsible for ING's financial strategy, including internal and external reporting, budgeting, procurement, forecasting, capital management, tax management, investor relations and business performance reporting and analysis, among which measuring adherence to financial targets. Furthermore he is responsible for Bank Treasury, Sustainability, and Regulatory & International Affairs. Before becoming CFO, he was head of Market Leaders, responsible for ING's operations in the Benelux, and between 2007 and 2011 he was CRO of ING Group. Before joining ING in 1996 he worked for IBM's European treasury in Ireland and ABN AMRO Bank in the area of financial markets. Koos Timmermans graduated from Erasmus University Rotterdam (the Netherlands) in 1986 with a master's degree in economics.

Relevant positions pursuant to CRD IV:

¹ The fourth EU Capital Requirements Directive 2013/36/EU

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Member and CFO of the Executive Board of ING Groep N.V., member, CFO and vice-chairman of the Management Board of ING Bank N.V., member of the Management Board of ING Support Holding B.V. and member of the Supervisory Board of Nederlandse-Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO , Entrepreneurial Development Bank).

Other relevant ancillary positions:

Vice-chairman of the Management Board of the Nederlandse Vereniging van Banken (NVB), member of the Supervisory Board Stadsherstel Amsterdam N.V. and member of the Supervisory Board of Amsterdam Institute of Finance.

S.J.A. (Steven) van Rijswijk,

Chief Risk Officer (CRO)

(Born 1970, Dutch nationality, male; appointed in 2017, term expires in 2021)

Steven van Rijswijk has been a member of the Executive

Board since 8 May 2017. He was appointed CRO on 1 August 2017. He is also a member and CRO of the Management Board Banking. Before becoming a member of the Executive Board, Steven van Rijswijk was global head of Client Coverage within ING Wholesale Banking. Steven van Rijswijk joined ING in 1995 in the Corporate Finance team holding various positions in the areas of Mergers & Acquisitions and Equity Markets. Steven van Rijswijk holds a master s degree in business economics from Erasmus University Rotterdam (the Netherlands).

Relevant positions pursuant to CRD IV:

Member and CRO of the Executive Board of ING Groep N.V. and member and CRO of the Management Board of ING Bank N.V.

Changes in the composition

On 8 May 2017, the General Meeting appointed Koos Timmermans and Steven van Rijswijk as members of the Executive Board of ING Group, succeeding Patrick Flynn and Wilfred Nagel respectively.

B. Compensation Remuneration report

Remuneration policy ING

We have a global remuneration policy in place applicable to all staff across our more than 40 countries.

In setting the level of remuneration we look at a number of varying factors. These include:

The complexity of work

The scope of responsibilities

The international character of the group

Risk alignment

The (inter)national laws and regulations

Specifics of the particular labour market

Other long-term objectives of ING and its stakeholders.
The remuneration principles below apply to all staff:

Business strategy and company goals

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ING's remuneration policy is aligned with business strategy and company goals.

Long-term value creation

ING's remuneration policy contributes to long-term value creation of the company and supports a focus on the long-term interests of its stakeholders, including all staff, customers and shareholders.

Risk and controls

Risk management is an enabler of long-term value creation. ING ensures the remuneration policy is properly correlated with its risk profile and the interest of its stakeholders.

Performance driven

ING operates a robust performance management process linked to remuneration to steer and motivate all staff to deliver on ING's strategic goals and prevent rewarding for failure.

Responsible and fair

ING acts responsibly and treats staff fairly across the globe.

Sustainable

ING supports sustainable recruitment, engagement and retention of all staff.

Total direct compensation

Total direct compensation is the total of fixed and variable remuneration, excluding benefits such as pension and allowances.

ING aims to provide total direct compensation levels for expected business and individual performance which, on average, are at the median of the markets in which we operate, benchmarked against relevant peer groups.

Variable remuneration

The awarding of variable remuneration, where applicable, is primarily focused on long-term value creation and based on individual, business line and bank-wide performance criteria.

For Identified Staff (i.e. staff that is considered to have a material impact on the risk profile of ING) a deferral scheme applies to their variable remuneration and a substantial part (50-100%) of their variable remuneration is awarded in equity. A minimum of 40% of variable remuneration is deferred over a period of three to five years with a tiered vesting schedule.

Shareholders' mandate

ING's Remuneration Policy is compliant with (inter)national laws and regulations. The Dutch law, Wet Beloningsbeleid Financiële Ondernemingen (hereafter: WBFO) sets various requirements, especially with respect to variable remuneration. These include requirements for mandatory holdback and claw back provisions, variable

remuneration caps, special conditions linked to retention, sign on, severance payments and the requirement that variable remuneration must be based for at least 50% on non-financial performance. ING applies all these requirements.

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Under the WBFO, financial institutions are permitted to set a variable remuneration cap higher than 100% of fixed remuneration for employees outside of the European Economic Area (EEA), provided that the higher cap is approved by their shareholders and does not conflict with the institution's capital adequacy requirements.

In 2017 approval was given at the Annual General Meeting of Shareholders (AGM) to continue with an increased maximum percentage of up to 200%, outside the EEA, for a period of five performance years, from 2017 to 2021. ING uses this facility very rarely and for no more than 1% of employees worldwide.

Risk mitigating measures

ING applies measures to mitigate risk relating to variable remuneration. Our remuneration policy takes into consideration risk, capital, liquidity and the likelihood and timing of earnings. Measures include pre-award and post-award risk assessments of variable remuneration.

The pre-award risk assessment process aims to consider the full range of any current and potential future risks. As part of this process, ING takes into account the company performance at bank, business line and individual levels, as well as a solvency test.

In addition, risk requirements apply to a small number of staff members that are considered Risk Takers. These risk requirements set the minimum standards to be met during the performance year. Deviation from these standards may lead to downward adjustment of variable remuneration, a so called Risk Modifier.

The post-award risk assessment process analyses whether the outcomes of the initial pre-award risk assessment process were correct. This can, and in certain situations must, result in a downward adjustment of variable remuneration by applying a holdback (i.e. forfeiture of up to 100% of the awarded and unvested variable remuneration) and/or claw back (surrender of up to 100% of the paid or vested variable remuneration).

To ensure the autonomy of staff in control functions (positions within Legal, Risk, Finance, Compliance, Audit and HR), the functional line is in the lead for the performance assessment. Where financial performance targets are included, they must be based on the financial performance of the bank.

The total amount of variable remuneration awarded to all employees over 2017 was EUR 403,1 million, compared to total staff expenses of EUR 5,202 million.

Variable remuneration includes both individual and collective variable remuneration such as profit sharing arrangements agreed with relevant trade unions.

In 2017, there were 14 employees, working in the Corporate Staff (COO, CRO, CFO), Wholesale Banking and Retail Banking business lines, to whom total annual remuneration (including employer pension contributions and any severance payments made) of EUR 1 million or more was awarded. Most of these employees work outside of the Netherlands.

Performance Management

Our remuneration approach is strongly linked to performance management.

We introduced the new performance management standard *Step Up* which aims to improve the performance of the bank by moving us from a retrospective review process to a real-time improvement process. As of January 2018 this

standard applies to all staff¹.

The main elements of the Step Up performance management framework are:

¹ Except for non-Identified Staff in Germany because it is pending approval by the Works Council.

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Stretch Ambitions: positive stretch of job expectations and behaviours that are inspiring, stretch employees further than their daily job and contribute to the performance of ING.

No single rating system: every single ING employee and manager receives an evaluation (excellent, well done, improvement required) on each of the three performance dimensions: Job expectations, Orange Code and Stretch Ambitions.

Recognition management: an approach that empowers managers to decide on a continuous basis the right mix of recognition both financial and non- financial.

Validation sessions: ensures alignment in target setting, mid-year review and year-end evaluation.

Continuous performance conversations: enables performance improvement at individual and team level. Performance is assessed against financial and non-financial indicators. Non-financial indicators aim to further improve ING's responsible and sustainable business practices and include one or more of the following:

Customer satisfaction

Risk management

Stakeholder engagement

Orange Code behaviours

Workforce diversity

Environmental and social criteria

Sustainable business practices.

Risk mitigation measures may lead to an adjustment of the performance outcome and affect compensation.

Remuneration policy for the Executive Board

The Executive Board's remuneration policy is compliant with applicable laws and regulations and is in line with the remuneration principles that apply to all staff.

The current remuneration policy for the Executive Board was adopted at the AGM on 27 April 2010. Amendments to this policy were adopted at subsequent AGMs:

On 9 May 2011 in response to new regulatory requirements

On 12 May 2014 with respect to pensions for the Executive Board

On 11 May 2015 in order to lower the maximum variable remuneration in line with legal requirements and specify that variable remuneration for the Executive Board be paid fully in shares

On 8 May 2017 by extending the deferral period of the variable remuneration from three to five years.

Total direct compensation

Total direct compensation is the total of fixed and variable remuneration, excluding benefits such as pension and allowances. It is determined and reviewed periodically by the Supervisory Board taken into account a number of varying factors in particular the international market environment.

The Executive Board's total direct compensation is compared to Euro Stoxx 50 companies as the Euro Stoxx 50 benchmark includes similar organisations in terms of size and international scope. The index comprises 50 companies, including ING, in a range of financial and non-financial industries from 12 countries within the Eurozone, mainly operating in an international context.

The Executive Board's remuneration policy aims to award total direct compensation slightly below the median of the Euro Stoxx 50.

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Variable remuneration

Compliant with legal requirements, variable remuneration for the members of the Executive Board is limited to a maximum of 20% of base salary at the time of award. It is based for at least 50% on non-financial performance and is fully paid out in shares.

The policy provides for an at-target variable remuneration of 16% of base salary if performance criteria are met. If performance criteria are exceeded, the variable component can be increased by the Supervisory Board from target to maximum, but may not exceed 20% of base salary. If performance is below target, the variable component will be decreased, potentially to zero. The performance targets for the Executive Board are annually pre-determined by the Supervisory Board to ensure delivery of ING's strategy.

The Executive Board remuneration policy aims to support long-term value creation by means of deferral, retention, holdback and claw back mechanisms.

40% of total variable remuneration is awarded upfront in the year following the performance year. The remainder (60%) is deferred. In accordance with guidelines issued by the European Banking Authority (EBA) as per 2017, the variable remuneration of the Executive Board members is subject to tiered vesting over a period of five years. In 2017, approval was given at the AGM to extend the deferral period for the variable remuneration for Executive Board members from three to five years, with one fifth vesting each year. This will be applied for the first time in 2018 with respect to variable remuneration over performance year 2017.

Both the upfront and deferred part of variable remuneration are fully awarded in shares. To all share awards granted to Executive Board members in their capacity as board member a minimum retention period of five years from the date of conditional grant of the shares and one year from the vesting date applies.

However, they are allowed to sell part of their shares on the date of vesting to pay tax on the vested share award. Fully awarding variable remuneration in shares, in combination with an extensive deferral and retention period, enables us to link remuneration with ING's long-term value creation.

Pension

As of 1 January 2015, all members of the Executive Board participate in the Collective Defined Contribution (CDC) pension plan with respect to their salary up to EUR 103,317 per year for 2017. As is the case for all employees who participate in the Dutch Collective Defined Contribution pension plan who earn a salary above this amount per year, the Executive Board members are compensated for the lack of pension accrual by means of a savings allowance to be annually determined (see below).

Benefits

Executive Board members are eligible for additional benefits (e.g. the use of company cars, contributions to company savings plans and, if applicable, expatriate allowances). This may also include banking and insurance benefits from ING on the same terms that apply to other employees of ING in the Netherlands. In addition, tax and financial planning services are provided to ensure compliance with the relevant legislative requirements.

Tenure

All current members of the Executive Board have a commission contract for an indefinite period of time including an appointment or reappointment period of four years as approved at the AGM. In the case of an involuntary exit, Executive Board members are eligible for an exit arrangement. These arrangements are subject to specific requirements (e.g. limited to a maximum of one year of base salary, no reward for failure).

Supervisory Board discretion to review the policy and the remuneration paid

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In accordance with the Executive Board's remuneration policy as adopted at the AGM and as described in this chapter, the Supervisory Board annually determines the actual remuneration for the Executive Board members based on the advice given by the Remuneration Committee of the Supervisory Board.

The Remuneration Committee is among others responsible for the preparation of decisions to be taken by the Supervisory Board regarding remuneration of individual members of the Executive Board.

Remuneration proposals for the individual Executive Board members are drawn up in accordance with the applicable Executive Board remuneration policy and cover the following aspects: remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, scenario analyses that are carried out and, if and when considered appropriate, the internal pay relativities. The Remuneration Committee takes note of individual Executive Board members' views with regard to the amount and structure of their own remuneration, including the aspects as mentioned above.

It is the responsibility of the Supervisory Board to take into account the interests of all stakeholders, as well as long-term value creation, business continuity and sustainable growth, when determining the Executive Board's remuneration.

The legal, regulatory and market environment is continually changing and this may impact ING. In order to ensure that ING can adapt to these dynamic and uncertain factors, the Supervisory Board will continue to re-evaluate the Executive Board remuneration policy as and when required.

The Supervisory Board has the authority and obligation in specific cases to impose holdback and/or claw back on variable remuneration awarded to a member of the Executive Board based on the same criteria that apply to all staff. It also has the authority to adjust variable remuneration if application of the predetermined performance criteria results in an undesired outcome. The Supervisory Board also has decision-making authority in situations that are not addressed in the policy.

Special employment conditions

Special employment conditions, such as commitments required to secure the recruitment of new executives, may be used in circumstances subject to approval by the Supervisory Board.

2017 Remuneration Executive Board

In this section we have included the compensation details of the current and former Executive Board members relating to the period that they were members of the Executive Board.

The Executive Board's remuneration for 2017 is in accordance with the Executive Board's remuneration policy. The policy specifies that total direct compensation should be slightly below the median of comparable positions in the Euro Stoxx 50 peer group. For the CRO and CFO total direct compensation is in line with this ambition. For the CEO however, the total direct compensation is lagging behind and is significantly below the median of the CEO benchmark.

For the Supervisory Board, this remains a point of concern. In order to ensure continued delivery on customer promises, strategic priorities and key financial and non-financial targets, ING needs to be able to attract the best talent for its Executive Board.

In line with the revised Dutch Corporate Governance Code, the internal ratio of the Executive Board members remuneration and that of a representative reference group was determined. For this ratio, ING deems most relevant the total direct compensation of the CEO compared to the average total direct compensation of all approximately 54,000 ING employees worldwide. For the CEO a ratio of 1:33 applies. For the sake of transparency we also

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calculated the ratio of the total direct compensation of the other Executive Board members compared to the average total direct compensation of all ING employees. On that basis for the other EB members (CFO/CRO) a ratio of 1:23 applies.¹

In 2017, Patrick Flynn stepped down from the Executive Board immediately after the AGM 2017 that was held on 8 May 2017 as his appointment term ended without having been proposed for reappointment. In line with applicable regulations, a severance payment equal to 100% of his base salary (i.e. EUR 1,203,600) was granted. Wilfred Nagel decided to retire from the Executive Board. His employment contract ended at 31 January 2018. No severance payment was granted.

2017 Executive Board base salary

In 2017 the Supervisory Board decided to increase the base salary of the CEO by 3% with effect from 1 January 2017. The base salary of the other Executive Board members remained the same in 2017.

2017 performance indicators Executive Board

As indicated in the remuneration policy, the performance of the Executive Board is assessed based on financial and non-financial indicators. For 2017, performance indicators applied included the following:

Performance indicators

Non-financial performance indicators

The acceleration of the Think Forward strategy: improving customer experience and enabling commercial growth
 Driving innovation to create a differentiating customer experience
 Realising a bank-wide high performance culture through the Step Up Performance Management and Think Forward Leadership programmes
 Proceeding on digital transformation programmes to improve customer experience and realise further efficiency gains
 Increasing ING's social and environmental impact through our sustainability activities

Financial performance indicators

Underlying net result
 Underlying return on IFRS equity
 Common equity Tier 1 ratio
 Underlying operating expenses
 Underlying cost/income ratio

2017 Executive Board performance evaluation

The table on the next page highlights key achievements, collectively accomplished by the Executive Board in 2017 in the areas mentioned, reflecting both the overall ambitions of ING and the specific performance targets agreed with the Supervisory Board at the beginning of 2017. Although not everything is accomplished, the following points were successful

¹ Total direct compensation comprises fixed base salary and variable remuneration, excluding benefits such as pension arrangements, and allowances. Since both the CRO and CFO were appointed in 2017 variable remuneration has been calculated based on the at target percentage.

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Strategy implementation	<p>Accelerated the Think Forward Strategy by growing customer bases in Wholesale and Retail Banking and major investments made to create a differentiating customer experience.</p> <p>Comprises of the four major digital transformation programmes:</p> <p>Orange Bridge: Redeployment process applied to around 5,000 staff; cross-border agile way of working implemented; merger of ING Belgium and Record Bank well on track.</p> <p>Welcome: Fully digital current account opening launched; back office and call centre automation increased.</p> <p>Model Bank: new multi-country customer interaction platform currently being reviewed.</p> <p>Wholesale Banking TOM: Consolidation of FM trading activities on track; continued roll-outs for a common global IT lending platform.</p> <p>Ranked number one in Net Promoter Scores relative to competitors in 7 of 13 retail markets.</p>
Capability development	<p>All executives and around 1,500 managers participated in the phased roll-out of the Think Forward Leadership programme that amplifies the behaviours and skills leaders and managers need to reach our goals and unite ING.</p> <p>Global roll-out of the Step Up Performance Management programme to strengthen ING's performance culture (roll-out to be completed in 2018).</p> <p>Recognised for our continuous efforts to drive success through diversity and inclusion (e.g. financial services ranked number one in LGBT workplace inclusion at the Workplace Pride Awards and included in the Bloomberg Gender Equality Index).</p>
Innovation	<p>New initiatives developed and aligned with partners to improve the customer experience, including:</p> <p>A digital money jar called Everyday Round Up by ING in Australia that rounds up card purchases and puts the difference straight into the customer's savings account (40,000 activations within the first two weeks).</p> <p>A Digital Shoebox added to the mobile banking app for small business customers that links receipts and bills directly to transactions.</p> <p>A new tool in Wholesale Banking called Katana that helps bond traders make faster and sharper pricing decisions using data visualisation and predictive analytics.</p> <p>Re-entering the UK retail banking market with the introduction of Yolt, a free mobile app to help people keeping track of their finances.</p>

Establishment of **ING Ventures**, a EUR 300 million fund that will invest in start-ups and companies that have already gained some market traction. ING Ventures will help accelerate the pace of innovation, one of our priorities.

Establishment of a partnership with online wealth manager **Scalable Capital** in Germany, expanding ING's offering to customers with digital investment management services, also known as robo-advice.

A couple of major milestones achieved in the **blockchain** area, including:

Development of a code known as **zero-knowledge range proof** (ZKRP) that is ten times more efficient in keeping information private on a ledger.

Together with other industry players started work on a new venture to create a real-time blockchain-based digital platform to **manage physical energy commodities transactions** from trade entry to final settlement.

Sustainability

Sustainable Investments launched of EUR 100 million in capital to support sustainable scale-ups with a proven concept and positive environmental impact.

Announced acceleration of reducing our exposure to coal power generation to close to zero by 2025 in order to support the **transition to a low-carbon economy**.

Demonstrated **excellent performance on sustainability** in the ratings (e.g. ING remained a sustainability leader in the banks industry group with a score of 85 out of 100 by sustainability research leader Sustainalytics and scored 89 out of 100 in the Dow Jones Sustainability Indices compared to an average industry score of 58).

Financial performance

Increased number of new retail customers by 1.6 million to 37.4 million; number of primary relationships up by 0.9 million to 10.8 million.

Achieved net profit of EUR 4,905 million, up 5.5% from 2016. Underlying net profit is EUR 4,957 million, broadly flat on 2016 (EUR 4,976 million), notwithstanding persistent pressures from the low interest rate environment.

Grew core lending by EUR 26.9 billion (+4.8%); increased customer deposits by EUR 19.0 billion (+3.6%).

Realised underlying return on equity for ING Group of 10.2%, up from 10.1% in 2016.

Improved CET1 ratio of ING Group to 14.7%.

Underlying operating expenses (excluding regulatory costs) moved from EUR 8.6 billion in 2016 to EUR 8.9 billion in 2017. Cost/Income ratio changed from 54.2% in 2016 to 55.5% in 2017.

Table of Contents**2017 Executive Board variable remuneration**

The performance of the Executive Board is evaluated against financial and non-financial performance indicators. Variable remuneration in 2017 of the CFO and CRO was mainly based on non-financial performance indicators. The variable remuneration in 2017 for the CEO was based for more than 50% on non-financial performance indicators. As evidenced by the table above, the collective performance of the Executive Board members was broadly on target.

There were minor differences in achievement of personal targets. This explains why variable remuneration for the CEO was calculated at 17% for the CFO at 13% and for the CRO at 13%.

The table below shows the remuneration awarded to the individual Executive Board members with respect to the performance years 2017, 2016 and 2015.

Total direct compensation of the individual members of the Executive Board

amounts in euros (rounded figures)	2017		2016		2015	
	amount	number of shares	amount	number of shares	amount	number of shares
Ralph Hamers (CEO)						
Base salary	1,713,000		1,663,000		1,630,000	
Variable remuneration (fully in shares) ¹	293,000	18,547	316,000	23,092	293,000	28,404
Koos Timmermans (CFO)²						
Base salary	781,000					
Variable remuneration (fully in shares) ¹	104,000	6,612				
Steven van Rijswijk (CRO)²						
Base salary	781,000					
Variable remuneration (fully in shares) ¹	104,000	6,584				
Patrick Flynn (former CFO)²						
Base salary	423,000		1,204,000		1,180,000	
Variable remuneration (fully in shares) ¹	63,000	4,010	217,000	15,838	153,000	14,850
Wilfred Nagel (former CRO)²						
Base salary	702,000		1,204,000		1,180,000	
Variable remuneration (fully in shares) ¹			217,000	15,838	189,000	18,278

¹ The number of shares is based on the average ING share price on the day on which the 2017 year-end results were published. The shares will be awarded in May 2018.

² Koos Timmermans and Steven van Rijswijk were appointed to the Executive Board immediately following the 8 May 2017 AGM, while Patrick Flynn and Wilfred Nagel left as per the end of the 8 May 2017 AGM and 1 August 2017 respectively. Thus the figures for Koos Timmermans, Steven van Rijswijk, Patrick Flynn and Wilfred Nagel reflect a partial year as an Executive Board member.

In 2017 no holdback or claw back was applied to paid, unvested or vested variable remuneration of any of the Executive Board members.

Table of Contents**Pension costs**

Members of the Executive Board participate in the Collective Defined Contribution (CDC) pension plan as part of the Executive Board remuneration policy. In 2017 pension accrual only applies to salary up to an amount of EUR 103,317. The table below shows the pension costs of the individual members of the Executive Board in 2017, 2016 and 2015.

Pension costs of the individual members of the Executive Board

amounts in euros (rounded figures)	2017	2016	2015
Ralph Hamers	30,000	26,000	25,000
Koos Timmermans ¹	19,000		
Steven van Rijswijk ¹	19,000		
Patrick Flynn ¹	10,000	26,000	25,000
Wilfred Nagel ¹	17,000	26,000	25,000

¹ Koos Timmermans and Steven van Rijswijk were appointed to the Executive Board as per 8 May 2017, while Patrick Flynn and Wilfred Nagel left as per 8 May 2017 and 1 August 2017 respectively. Thus the figures for Koos Timmermans, Steven van Rijswijk, Patrick Flynn and Wilfred Nagel reflect a partial year as an Executive Board member.

Benefits

The individual members of the Executive Board receive other emoluments, including savings allowances for the loss of pension benefits for salary above EUR 103,317 for 2017, employer contributions to savings schemes, reimbursement of costs related to home/work commuting, costs associated with the company car and costs associated with housing and schooling (for expats).

The other emoluments amounted in 2017, 2016 and 2015 to the following costs.

Other emoluments

amounts in euros (rounded figures)	2017	2016	2015
Ralph Hamers	624,000	553,000	473,000
Koos Timmermans ¹	290,000		
Steven van Rijswijk ¹	274,000		
Patrick Flynn ¹	181,000	403,000	433,000
Wilfred Nagel ¹	247,000	370,000	322,000

¹ Koos Timmermans and Steven van Rijswijk were appointed to the Executive Board as per 8 May 2017, while Patrick Flynn and Wilfred Nagel left as per 8 May 2017 and 1 August 2017 respectively. Thus the figures for Koos Timmermans, Steven van Rijswijk, Patrick Flynn and Wilfred Nagel reflect a partial year as an Executive Board member.

Long-term incentives awarded in previous years

In 2017, no long-term incentives (other than the shares disclosed in the table on page 118, were awarded to the Executive Board members.

Table of Contents**Employee stock options**

The table below contains information on the outstanding employee stock options and the movements during the financial year of employee stock options held by the members of the Executive Board as of 31 December 2017, which were all awarded to these board members in roles within ING prior to their appointment to the Executive Board.

Options held by the members of the Executive Board

Number of options	Outstanding as at 31 December		Waived or expired	Outstanding as at 31 December		Grant price in euros	Vesting date	Expiry date
	2016	Exercised in 2017	in 2017	2017				
Ralph Hamers	14,889	0	14,889	0	24.72	22 Mar 2010	22 Mar 2017	
	16,957	0	0	16,957	16.66	13 Mar 2011	13 Mar 2018	
	19,985	0	0	19,985	2.90	19 Mar 2012	19 Mar 2019	
	22,124	0	0	22,124	7.35	17 Mar 2013	17 Mar 2020	
Koos Timmermans	46,157	0	46,157	0	24.72	22 Mar 2010	22 Mar 2017	
	56,405	0	0	56,405	19.53	15 May 2011	15 May 2018	
	20,675	0	0	20,675	14.36	17 Sep 2011	17 Sep 2018	
Steven van Rijswijk	1,640	0	1,640	0	24.72	22 Mar 2010	22 Mar 2017	
	3,971	0	3,971	0	24.72	22 Mar 2010	22 Mar 2017	
	2,770	0	0	2,770	16.66	13 Mar 2011	13 Mar 2018	
	9,044	0	0	9,044	16.66	13 Mar 2011	13 Mar 2018	
	1,688	0	0	1,688	2.90	19 Mar 2012	19 Mar 2019	
	11,658	0	0	11,658	2.90	19 Mar 2012	19 Mar 2019	
Patrick Flynn	2,318	0	0	2,318	7.35	17 Mar 2013	17 Mar 2020	
	10,694	0	0	10,694	7.35	17 Mar 2013	17 Mar 2020	
Wilfred Nagel	9,530	0	9,530	0	24.72	22 Mar 2010	22 Mar 2017	
	12,436	0	0	12,436	16.66	13 Mar 2011	13 Mar 2018	

Shares

Deferred shares are shares conditionally granted subject to a tiered vesting over a period of five years (for awards in 2017 and before), of which the ultimate value of each deferred share will be based on ING's share price on the vesting date (the opening share price).

For the Executive Board members the following shares vested during 2017:

Table of Contents**Shares vested for the Executive Board during 2017**

	Shares	Granting date	Vesting date	Nr. of shares granted ⁴	Nr. of shares vested	Vesting price
Ralph Hamers ¹	LSPP Deferred share units ²	27 March 2013	27 March 2017	25,812	3,443	13.60
	LSPP Deferred share units ²	27 March 2014	27 March 2017	6,215	828	13.60
	LSPP Deferred shares	11 May 2016	11 May 2017	28,404	5,680	15.45
	LSPP Upfront shares	11 May 2017	11 May 2017	23,092	9,237	15.45
Koos	LSPP Deferred shares	14 May 2014	14 May 2017	32,267	6,454	15.35
Timmermans ¹	LSPP Deferred shares	13 May 2015	13 May 2017	30,012	6,002	15.35
	LSPP Deferred shares	11 May 2016	11 May 2017	18,278	3,655	15.45
	LSPP Upfront shares	11 May 2017	11 May 2017	15,838	6,335	15.45
Steven van Rijswijk ^{1,3}						
Patrick Flynn ³						
Wilfred Nagel	LSPP Deferred shares	11 May 2016	11 May 2017	18,278	3,655	15.45
	LSPP Upfront shares	11 May 2017	11 May 2017	15,838	6,335	15.45

¹ Shares granted to Ralph Hamers in March 2013 and in March 2014 and Koos Timmermans were awarded for their performance in positions prior to their appointments to the Executive Board.

² Deferred share units of Ralph Hamers are cash settled instruments of which the ultimate value will be based on ING Group's share price at the vesting date.

³ Shares granted to Steven van Rijswijk and Patrick Flynn did not vest in 2017 in their capacity as an Executive Board Member.

⁴ Number of shares granted includes both deferred and upfront part awarded at the granting date.

As recognised in the profit or loss statement of 2017, the expenses per Executive Board Member (active on 31 December 2017), whilst serving on the Executive Board, amount to EUR 2.6 million for the CEO, EUR 1.4 million for the CFO and EUR 1.1 million for the CRO.

Loans and advances to Executive Board members

The table below presents the loans and advances provided to Executive Board members and outstanding on 31 December 2017, 2016 and 2015.

Loans and advances to the individual members of the Executive Board**2017****2016****2015**

amounts in

thousands of euros	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments	Amount outstanding 31 December	Average interest rate	Repayments
Ralph Hamers	2,499	1.4%		2,499	2.6%		2,499	2.5%	
Koos Timmermans	182	6.2%							
Steven van Rijswijk									

Loans and advances of former members of the Executive Board who are not included in the table above amounted to nil in 2017, EUR 350,000 in 2016 and EUR 500,000 in 2015.

Table of Contents**ING shares held by Executive Board members**

Executive Board members are encouraged to hold ING shares as a long-term investment to maintain alignment with ING. The table below shows an overview of the shares held by members of the Executive Board at 31 December 2017, 2016 and 2015.

ING shares held by members of the Executive Board

number of shares	2017	2016	2015
Ralph Hamers	58,094	50,216	44,182
Koos Timmermans	84,349		
Steven van Rijswijk	59,914		

The number of ING shares of former members of the Executive Board who are not included in the table above amounted to nil in 2017, 211,468 in 2016 and 200,791 in 2015.

2018 Remuneration Executive Board

More and more shareholders are calling for Executive Boards to be long-term oriented in their decision making. This change in the market enables further alignment of interests that Executive Boards need to serve, between for instance shareholders, society and regulations. This is also the objective of the recent focus in the Dutch Corporate Governance Code, by proposing a long-term orientation of Executive Boards, incentivised by increasing the shareholding of executives in the companies they serve and to hold these as long-term investments. At the same time, Dutch banking regulations limit the variable reward for Executive Boards to a maximum of 20% of fixed salary.

In line with their responsibility to execute the Executive Board remuneration policy of compensating slightly below the median of the Euro Stoxx 50, the Supervisory Board undertook an annual review of Executive Board Remuneration levels against this policy that has been approved at the AGM in 2010. The remuneration levels of the members of the ING Executive Board are below the median of the Euro Stoxx 50 benchmark, and in the case of the CEO position, even significantly below. Data shows that the market median remuneration level of the Euro Stoxx 50 benchmark has further increased and, as a consequence, the gap with the remuneration of the CEO position has further widened. Over the past few years the Supervisory Board repeatedly expressed their concern about this as ING needs to be able to attract and retain the best (international) talent for its Executive Board. Based on the outcome of the annual review the Supervisory Board decided that it needs to act now. The Supervisory Board wants to ensure that the policy as approved by the AGM is lived up to both to the letter and to the spirit of it.

Reflecting on the past five years, ING has more than exceeded market expectations, evidenced amongst others by very robust financial results and position, a strengthened capital base, relatively high customer satisfaction levels in the many markets ING operates in, relatively high scores in the biennial Organisational Health Index and the Winning Performance Culture employee engagement survey, its track record on sustainability and the many accolades ING received over the years.

To determine the appropriate level of total remuneration (fixed + variable remuneration) for the CEO position, the Supervisory Board requested an external remuneration consultant to provide an update of the Euro Stoxx 50 benchmark. This revealed median total remuneration of EUR 4,900,000 consisting of fixed remuneration of EUR 1,300,000 and variable remuneration of EUR 3,600,000. The Supervisory Board also requested a modified benchmark that would take into account the fact that ING's fixed remuneration for Executive Board members is higher than the

benchmark, whilst variable remuneration is significantly lower, due to the regulatory cap of 20% on variable remuneration. This modified benchmark takes into account that one Euro fixed remuneration is worth more than one Euro of variable remuneration. This led to a modified median benchmark of EUR 3,255,000, representing a more prudent approach.

Based on this information and carefully balancing all stakeholder interests, the Supervisory Board agreed to propose at the AGM the following amendments to the Executive Board remuneration policy:

- (i) the introduction of a new fixed remuneration component, called *fixed shares*. In addition to its authority under the existing Executive Board remuneration policy to increase the total direct compensation to a level just below the median of the Euro Stoxx 50, the Supervisory Board may now also decide to increase the gross cash base salary of a member of the Executive Board in the form of *fixed shares*, with a value up to a maximum of 50% of the gross cash base salary. In case of *fixed shares*, each month, one-twelfth of the agreed value will be mandatorily converted into *fixed shares* against the prevailing share price for that month (i.e. the opening price of the first trading day of shares listed on Euronext in that month), subject to a mandatory *sell to cover*, requiring the Executive Board member to sell as many shares as needed to settle any wage or income taxes due on these. The *fixed shares* component is solely tied to the role of the Executive Board member, the relevant market benchmark and is not subject to any performance condition (if performance conditions would have been set, the *fixed shares* would count as variable compensation under the 20% cap). Once awarded, they cannot be taken away at a later stage, even though the value of these *fixed shares* will vary in line with variations in ING's share price. As per the Dutch Corporate Governance Code, a retention period of five years will apply from the date of conversion to *fixed shares*.
- (ii) the Supervisory Board may decide that until the end of the tenure of an Executive Board member a mandatory minimum shareholding requirement up to one year gross cash base salary plus *fixed shares* will apply, including the principle *once achieved, always achieved*.

The Supervisory Board has decided to change the remuneration for the CEO position as from 1 January 2018 as follows:

Increase in gross cash base salary of 2.2% to EUR 1,750,000.

Subject to approval at the AGM of the amendment to the remuneration policy, *fixed shares* with a value equal to 50% of the gross cash base salary.

Subject to approval at the AGM of the amendment to the remuneration policy, a mandatory minimum shareholding requirement will apply equal to one year gross cash base salary plus the *fixed shares*.

No change in variable remuneration, which continues to be capped at 20% of fixed remuneration (gross cash base salary plus *fixed shares*) with a target of 16% and which remains for 100% awarded in ING shares, significantly beyond the 50% that is minimally required by regulations.

This new remuneration level remains approximately 7% below the lower, modified Euro Stoxx 50 benchmark and, thus, in line with the principles of the Dutch Banking Code and ING's Executive Board remuneration policy. It reflects the prudent approach taken by the Supervisory Board and the long-term sustainable character of ING's Executive

Board remuneration policy.

In view of the fact that total remuneration levels of the other two Executive Board members, the CFO and the CRO, are much closer to the median of their relative market, the Supervisory Board decided not to adjust their remuneration this year.

The Supervisory Board will continue to monitor the development of international remuneration practices and will continue to support the Executive Board remuneration policy of compensating slightly below the median of the Euro Stoxx 50 benchmark.

Remuneration Supervisory Board

Supervisory Board remuneration policy

The remuneration policy for the Supervisory Board, as approved at the AGM on 25 April 2016, aims to:

Provide a simple and transparent structure

Bring remuneration levels in line with peers and with levels adequate to attract qualified (international) Supervisory Board members

Align remuneration with increased responsibilities and time spent.

As per 9 May 2017, the Nomination Committee and Corporate Governance Committee merged. The remuneration of the combined committee was brought in line with the other committees. The Supervisory Board remuneration policy for 2017 is shown below:

Supervisory Board remuneration structure

Amounts in euros

Annual remuneration

Chairman Supervisory Board	125,000
Vice Chairman Supervisory Board	95,000
Supervisory Board Member	70,000
Committee fees (annual amounts)	
Chairman Committee	20,000
Member Committee	10,000
Chairman Corporate Governance Committee (until 9 May 2017)	7,500
Member Corporate Governance Committee (until 9 May 2017)	5,000

Attendance fees (per meeting)

Attendance fee outside country of residence	2,000
Attendance fee outside continent of residence	7,500

In addition, members of the Supervisory Board are reimbursed for their travel and business related expenses relating to ING.

2017 Remuneration Supervisory Board

The table below shows the remuneration, including attendance fees per Supervisory Board member.

Table of Contents**2017 Remuneration Supervisory Board**

amounts in EUR (rounded figures)	2017		2016		2015	
	Remuneration ⁵	VAT	Remuneration	VAT	Remuneration	VAT
Jeroen van der Veer	169,000	35,000	178,000	37,000	122,000	26,000
Hermann-Josef Lamberti	141,000		149,000		111,000	
Henk Breukink	105,000	22,000	115,000	24,000	83,000	17,000
Mariana Gheorghe	94,000		98,000		40,000	
Robert Reibestein	112,000	24,000	114,000	24,000	76,000	16,000
Isabel Martín Castellá ¹	46,000		114,000		92,000	
Eric Boyer de la Giroday	106,000		114,000		92,000	
Ann Sherry ²	94,000		85,000			
Hans Wijers ³	35,000	7,000				
Jan Peter Balkenende ^{4,5}	27,000	6,000				

¹ Isabel Martín Castellá left the Supervisory Board as of 9 May 2017. The remuneration figures for 2017 reflect a partial year as a member of the Supervisory Board.

² Ann Sherry was a member of the Supervisory Board from 25 April 2016 up to 14 September 2017. The remuneration figures for 2016 and 2017 reflect a partial year as a member of the Supervisory Board.

³ Hans Wijers was appointed to the Supervisory Board by the 8 May 2017 AGM. His Supervisory Board membership became effective as of 1 September 2017. The remuneration figures for 2017 reflect a partial year as a member of the Supervisory Board.

⁴ Jan Peter Balkenende was appointed to the Supervisory Board by the 8 May 2017 AGM. He joined the meetings of the Supervisory Board as an observer in between 9 May and 1 September 2017. His Supervisory Board membership became effective as of 1 September 2017. The remuneration figures for 2017 reflect a partial year as a member of the Supervisory Board.

⁵ Margarete Haase was appointed to the Supervisory Board by the 8 May 2017 AGM. She joined the meetings of the Supervisory Board as an observer since 9 May 2017. In light of the planned reduction of the number of her directorships, her appointment will become effective as per 1 May 2018 as decided by the Supervisory Board in January 2018. Hence there are no remuneration figures to report over 2017.

Compensation of former members of the Supervisory Board who are not included in the table above amounted to nil in 2017, EUR 36,000 in 2016 and EUR 160,000 in 2015.

Loans and advances to Supervisory Board members

Supervisory Board members may obtain banking and insurance services from ING Group subsidiaries in the ordinary course of their business and on terms that are customary in the sector. The Supervisory Board members do not receive privileged financial services. As of 31 December 2017 there are no loans and advances outstanding to Supervisory Board members.

ING shares and employee stock options held by Supervisory Board members

Supervisory Board members are permitted to hold ING shares as a long-term investment. The table below shows the holdings by members of the Supervisory Board at 31 December 2017, 2016 and 2015.

ING shares held by members of the Supervisory Board

number of shares	2017	2016	2015
Jeroen van der Veer	119,469	119,469	119,469
Hermann-Josef Lamberti	5,700	5,700	5,700
Eric Boyer de la Giroday	47,565	47,565	47,565

The following table contains information on the employee stock options outstanding by, and awards vested for, the members of the Supervisory Board.

Employee stock options on ING Groep N.V. shares held by members of the Supervisory Board at 31 December 2017

	Outstanding as at 31 December 2017	Expired in 2017	Outstanding as at 31 December 2016	Expired in 2016	Outstanding as at 31 December 2015	Expired in 2015
number of stock options						
Eric Boyer de la Giroday	113,385	113,479	226,864	92,984	319,848	69,542

Table of Contents**C. Board practices**

For information regarding board practices, see Item 6.A of this Form 20-F.

D. Employees

The average number of employees at a full time equivalent basis was 51,504 at the end of 2017, of which 13,141 or 25.5%, were employed in the Netherlands. Substantially all of the Group's Dutch employees are subject to a collective labor agreement covering ING in the Netherlands.

The distribution of employees with respect to the Group's continuing and discontinued operations for the years 2017, 2016 and 2015 were as follows:

Average number of employees at full time equivalent basis

	Netherlands			International			Total		
	2017	2016	2015 ¹	2017	2016	2015 ¹	2017	2016	2015 ¹
Continuing operations - average number of employees at full time equivalent basis	13,141	13,660	14,586	38,363	38,283	38,134	51,504	51,943	52,720
Discontinued operations - average number of employees at full time equivalent basis			2,652			2,181			4,833
Total average number of employees at full time equivalent basis	13,141	13,660	17,238	38,363	38,283	40,315	51,504	51,943	57,553

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 27 Discontinued operations. The Group employs a significant numbers of temporary employees. The average number of temporary employees, not included in the table above, at a full time equivalent basis was 4,931 at the end of 2017.

E. Share ownership

For information regarding share ownership, see Item 6.B of this Form 20-F.

Item 7. Major shareholders and related party transactions**A. Major shareholders**

Holders of ordinary shares or American Depositary Shares with a stake of 3% or more

To the best of our knowledge, as of 31 December 2017, no holder of ordinary shares or American Depositary Shares (ADSs), other than BlackRock Inc. and Artisan Investments GP LLC held more than 3% of ING Group s issued share capital.

On 28 January 2016, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 305,540,844 ordinary shares of ING Group as of 31 December 2015, representing 7.9% of ING Group s issued share

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capital. On 25 January 2017, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 258,414,450 ordinary shares of ING Group as of 31 December 2016, representing 6.7% of ING Group's issued share capital. On 30 January 2018, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 304,505,468 ordinary shares of ING Group as of 31 December 2017, representing 7.8% of ING Group's issued share capital.

On 31 December 2017, ING Groep N.V. and its subsidiaries held 944,257 ordinary shares or ADSs, representing 0.02% of ING Group's issued share capital. ING Groep N.V. does not have voting rights in respect of shares and ADSs it holds or which are held by its subsidiaries.

Pursuant to section 5.3 of the Dutch Financial Supervision Act (Major Holdings Rules), shareholders and holders of ADSs are only required to provide updated information on their holdings once they cross threshold levels of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. As a result, other than based on information available from public filings available under the applicable laws of any other jurisdiction, ING Groep N.V. is not aware of any changes in the ownership of ordinary shares or ADSs between the thresholds levels mentioned in the previous sentence.

On 31 December 2017, no person is known to ING Groep N.V. to be the owner of more than 10% of the ordinary shares or ADSs. As of 31 December 2017, members of the Supervisory Board and their related third parties held 172,734 Ordinary Shares . If members of the Supervisory Board hold ING options that were granted in their former capacity as member of the Executive Board, these options are part of the ING Stock option plan described in Note 2.1 to the consolidated financial statements.

As of 31 December 2017, members of the Executive Board and their related third parties held 202,357 ordinary shares of which 84,230 are restricted by a retention period.

On 31 December 2017 ING Groep N.V. is not a party to any material agreement that becomes effective, or is required to be amended or terminated in case of a change of control of ING Groep N.V. following a public bid as defined in the Dutch Financial Supervision Act. ING Groep N.V.'s subsidiaries may have customary change of control arrangements included in agreements related to various business activities, such as joint venture agreements, letters of credit and other credit facilities, ISDA-agreements, hybrid capital and debt instruments, reinsurance contracts and futures and option trading agreements. Following a change of control of ING Groep N.V. (as the result of a public bid or otherwise), such agreements may be amended or terminated, leading, for example, to an obligatory transfer of the interest in the joint venture, early repayment of amounts due, loss of credit facilities or reinsurance cover and liquidation of outstanding futures and option trading positions.

As of 31 December 2017 ING Groep N.V. was not aware of any arrangements the operation of which may result in a change of control of ING Groep N.V.

B. Related Party Transactions

In the normal course of business, ING Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ING Group include, among others, its subsidiaries, associates, joint ventures, key management personnel, and various defined benefit and contribution plans. Transactions between related parties include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

As of 31 December 2017, there was no amount outstanding in respect of loans and advances, including mortgages, made to members of the Supervisory Board. The amount outstanding in respect of loans and advances, mostly

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mortgages, to members of the Executive Board was EUR 2.7 million at an average interest rate of 1.8%. The largest aggregate amount of loans and advances outstanding to the members of the Executive Board during 2017 was EUR 3.0 million.

The loans and advances mentioned in the preceding paragraph (1) were made in the ordinary course of business, (2) were granted on conditions that are comparable to those of loans and advances granted to all employees and (3) did not involve more than the normal risk of collectability or present other unfavorable features. Loans and advances to members of the Executive Board are compliant with the standards set out in the DNB guidelines for loans to officers and directors of a regulated entity, such as ING.

As described under Item 6. Directors, Senior Management and Employees, some members of the Supervisory Board are current or former senior executives of leading multi-national corporations based primarily in the Netherlands. ING Group may at any time have lending, investment banking or other financial relationships with one or more of these corporations in the ordinary course of business on terms which we believe are no less favorable to ING than those reached with unaffiliated parties of comparable creditworthiness.

In addition, ING Group has entered into various transactions with related parties. For more information, reference is made to Note 49 Related parties of Note 2.1 to the consolidated financial statements.

C. Interests of experts and counsel

This item does not apply to annual reports on Form 20-F.

Item 8. Financial information

A. Consolidated statements and other financial information

Consolidated statements

For information regarding consolidated statements and other financial information, see Item 18 of this Form 20-F.

Legal Proceedings

For a description of ING's legal proceedings, see Note 45 Legal proceedings of Note 2.1 to the consolidated financial statements.

Policy on dividend distribution

ING is committed to maintaining a healthy Group CET1 ratio above the prevailing fully-loaded requirements, plus a comfortable management buffer (to include pillar 2 guidance) and to returning capital to its shareholders. ING aims to pay a progressive dividend. The Board proposes to pay a total dividend of EUR 2,603 million, or EUR 0.67 per ordinary share for the financial year 2017, subject to the approval of shareholders at the Annual General Meeting in April 2018. Taking into account the interim dividend of EUR 0.24 per ordinary share that was paid in August 2017, the final dividend will amount to EUR 0.43 per ordinary share and be paid in cash. These payments per share represent gross amounts which are subject to Dutch dividend withholding tax.

ING aims to pay an interim dividend with its half year results, as well as a final dividend each year, both in cash. Dividend proposals will reflect considerations including expected future capital requirements, growth opportunities available to the Group, net earnings, and regulatory developments.

Cash distributions on ING Groups ordinary shares are generally paid in Euros. However, the Executive Board may decide, with the approval of the Supervisory Board, to declare dividends in the currency of a country other than the Netherlands in

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which the shares are traded. Amounts payable to holders of ADSs that are paid to the Depositary in a currency other than dollars will be converted to dollars and subjected to a charge by the Depositary for any expenses incurred by it in such conversion.

If the Executive Board has been designated as a body authorised to resolve to issue shares, it may decide, with the approval of the Supervisory Board, that a distribution on ordinary shares shall be made in the form of ordinary shares instead of cash or to determine that the holders of ordinary shares shall be given the choice of receiving the distribution in cash or in the form of ordinary shares on such terms as the Executive Board, with the approval of the Supervisory Board, may decide.

The right to dividends and distributions in respect of the ordinary shares will lapse if such dividends or distributions are not claimed within five years following the day after the date on which they were made available.

There are no legislative or other legal provisions currently in force in the Netherlands or arising under ING Groups Articles of Association restricting the remittance of dividends to holders of ordinary shares, or ADSs not resident in the Netherlands. Insofar as the laws of the Netherlands are concerned, cash dividends paid in Euro may be transferred from the Netherlands and converted into any other currency, except that for statistical purposes such payments and transactions must be reported by ING Group to DNB and, further, no payments, including dividend payments, may be made to jurisdictions or persons, that are subject to certain sanctions, adopted by the Government of the Netherlands, implementing resolutions of the Security Council of the United Nations, or adopted by the European Union.

Dividends are subject to withholding taxes in the Netherlands as described under Item 10, Additional Information - Taxation - Netherlands Taxation .

B. Significant changes

For information on the estimate impact of IFRS 9 accounting standard effective as from 1 January 2018, reference is made to Note 2.1.1 b) Upcoming changes in IFRS after 2017. For information on subsequent events reference is made to note 51 Subsequent events of the consolidated financial statements.

Since 31 December 2017, until the filing of this report, no significant changes have occurred in the financial statements of the Group included in Item 18 Consolidated Financial Statements of this document.

Item 9. The offer and listing

A. Offer and listing details

Ordinary Shares (nominal value EUR 0.01 per share) are traded on Euronext Amsterdam, the principal trading market for shares. The shares are also listed on the stock exchange of Euronext Brussels. ING Bank is one of the principal market makers for the shares on Euronext Amsterdam.

Since 13 June 1997, ADSs, have traded on the New York Stock Exchange under the symbol ING . Prior to 26 July 2016 each ADS represented one bearer depositary receipt issued by the Trust. Since the conversion, ADS represent an equal number of ordinary shares and are the principal form in which ordinary shares are traded in the United States.

June 1997, there was no active trading market for the ADSs. The ADSs are issued by JP Morgan Chase Bank, as Depositary, pursuant to an Amended and Restated Deposit Agreement dated 8 February 2013, among the Company, Stichting ING Aandelen, as trustee, such Depositary and the holders of ADSs from time to time. The Amended and Restated Deposit Agreement was further modified in July 2016 to delete all references to Stichting ING Aandelen and the bearer depositary receipts, following the abolishment of the bearer depositary receipt structure. Under the Amended and Restated Deposit

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Agreement holders of ADSs may instruct the Depositary as to the exercise of proxy voting rights associated with the ADSs. As of 31 December 2017, there were 183,762,455 ADSs outstanding, representing an equal number of ordinary shares. The ADSs were held by 568 record holders. Because certain of the ADSs were held by brokers or other nominees and the bearer depositary receipts are held in bearer form and due to the impracticability of obtaining accurate residence information for all such shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of the beneficial holders. As of 31 December 2017, an estimated 33% of outstanding Ordinary Shares are held in the United States, 23% in the United Kingdom, 13% in France, 10% in Germany, 4% in the Netherlands, 1 % in Switzerland, 13% in the rest of Europe and 3% in the rest of the world. These figures are based on year-end 2016 estimates of institutional share ownership provided by IPREO.

The following are the high and low sales prices of the bearer depositary receipts on the Euronext Amsterdam Stock Exchange, and the ADSs on the New York Stock Exchange, for the period 2013 – 28 February 2018:

Calendar period	Euronext Amsterdam			Trading volume in millions of bearer receipts	New York		Trading volume in millions of ADS
	Stock Exchange		Stock Exchange		Stock Exchange		
	(EUR)	(EUR)			(U.S.\$)	(U.S. \$)	
	High	Low		High	Low		
2013	10.10	5.54	5,093.2	14.01	7.07	642.0	
2014	11.95	9.50	4,733.0	14.92	12.82	488.4	
2015	15.90	10.35	4,926.8	17.29	12.24	718.7	
2016							
First quarter	12.45	9.18	1,407.3	13.31	10.49	210.6	
Second quarter	11.54	8.30	1,245.5	13.06	9.26	228.1	
Third quarter	11.59	8.40	1,108.6	12.87	9.30	175.5	
Fourth quarter	13.79	10.78	1,109.9	14.68	12.08	193.0	
2017							
First quarter	14.75	12.81	999.2	15.80	13.63	187.44	
Second quarter	15.88	13.66	1,031.9	17.62	14.55	314.07	
Third quarter	16.00	14.52	906.9	18.94	17.32	192.09	
Fourth quarter	16.13	14.98	835.5	19.01	17.70	153.36	
2017 and 2018							
September 2017	15.67	14.52	299.1	18.45	17.32	54.57	
October 2017	16.13	15.45	257.0	19.01	18.28	44.68	
November 2017	16.08	15.02	318.5	18.64	17.72	48.63	
December 2017	15.84	14.98	260.1	18.65	17.70	60.05	
January 2018	16.69	15.22	314.4	20.58	18.40	64.99	
February 2018	16.00	14.35	336.3	19.74	17.57	81.24	

B. Plan of distribution

This item does not apply to annual reports on Form 20-F.

C. Markets

For information regarding markets, see Item 9.A of this Form 20-F.

D. Selling shareholders

This item does not apply to annual reports on Form 20-F.

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E. Dilution

This item does not apply to annual reports on Form 20-F.

F. Expenses of the issue

This item does not apply to annual reports on Form 20-F.

Item 10. Additional information

A. Share capital

This item does not apply to annual reports on Form 20-F.

B. Memorandum and articles of association

General

Articles of Association

ING Groep N.V. is a holding company organised under the laws of the Netherlands. Its object and purpose, as set forth in article 3 of its Articles of Association, is to participate in, manage, finance, furnish personal or real security for the obligations of and provide services to other enterprises and institutions of any kind, but in particular enterprises and institutions which are active in the field of lending, the financial markets, investment and/or other financial services, and to engage in any activity which may be related or conducive to the foregoing. ING Groep N.V. is registered under file number 33231073 with the Trade Register of the Chamber of Commerce and the Articles of Association are available there and on ING's website.

Certain Powers of Directors

The Supervisory Board determines the compensation of the members of the Executive Board within the framework of the remuneration policy adopted by the General Meeting and the compensation of members of the Supervisory Board is determined by the General Meeting. Without prejudice to their voting rights they may have if they are a shareholder of ING Groep N.V., neither members of the Executive Board nor members of the Supervisory Board will vote on compensation for themselves or any other member of their body.

During the term of their office, members of the Supervisory Board are not allowed to borrow or to accept guarantees from ING Groep N.V. or any of its subsidiaries. Loans that already exist upon appointment as a member of the Supervisory Board however, may be continued. Subsidiaries of ING Groep N.V. however, may in the normal course of their business and on terms that are customary in the sector, provide other banking and insurance services to members of the Supervisory Board. These services may include services in which the granting of credit is of a subordinate nature, e.g. credit cards and overdrafts in current accounts. Members of the Executive Board are empowered to exercise all the powers of ING Groep N.V. to borrow money on behalf of ING Groep N.V., subject to regulatory restrictions (if any) and, in the case of the issuance of debt securities, to the approval of the Supervisory Board.

The Articles of Association do not contain any age limits for retirement of the members of the Executive Board and members of the Supervisory Board. The retirement age for members of the Executive Board under the (Dutch) pension plan is the first day of the month that the individual reaches the age of 67.

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Members of the Executive Board are appointed by the General Meeting for a term of four years and may be reappointed. Members of the Supervisory Board are also appointed by the General Meeting for a term of four years and may be reappointed for two additional terms subject to the requirement in the profile of the Supervisory Board that a member of the Supervisory Board shall retire from the Board in the year in which he or she turns 70 (provided that the Supervisory Board does not decide otherwise taking into account special circumstances at its discretion).

Both members of the Executive Board and members of the Supervisory Board are appointed from a binding nomination by the Supervisory Board. The General Meeting may declare the nomination non-binding by a resolution passed by an absolute majority of the votes cast, which majority represents more than half of the issued share capital.

ING Group indemnifies the members of the Supervisory Board and the Executive Board against direct financial losses in connection with claims from third parties as far as permitted by law on the conditions laid down in an indemnity statement (with respect to the Supervisory Board members) or their employment or commission contract (with respect to the Executive Board members). ING Group has taken out liability insurance for the members of the Supervisory Board and Executive Board.

Members of the Executive Board and the Supervisory Board are not required to hold any shares of ING Groep N.V. to qualify as such.

Obligations of shareholders to disclose holdings

Section 5.3 of the Dutch Financial Supervision Act (Major Holdings Rules) applies to any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of (in short) a public limited company incorporated under the laws of the Netherlands with an official listing on a stock exchange within the European Economic Area, as a result of which acquisition or disposal the percentage of voting rights or capital interest, whether through ownership of Ordinary Shares, ADSs or any other financial instrument whether stock settled or cash settled, such as call or put options, warrants, swaps or any other similar contract, reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. With respect to ING Groep N.V., the Major Holdings Rules would require any person whose interest in the voting rights and/or capital of ING Groep N.V. reached, exceeded or fell below those percentage interests, whether through ownership of ordinary shares, ADSs or any other financial instrument whether stock settled or cash settled, such as call or put options, warrants, swaps or any other similar contract, to notify in writing the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten) immediately after the acquisition or disposal of the triggering interest in ING Groep N.V.'s share capital.

The notification will be recorded in the register, which is held by the Dutch Authority for the Financial Markets for that purpose, which register is available for public inspection.

Non-compliance with the obligations of the Major Holdings Rules can lead to criminal prosecution or administrative-law sanctions. In addition, a civil court can issue orders against any person who fails to notify or incorrectly notifies the Dutch Authority for the Financial Markets, in accordance with the Major Holdings Rules, including suspension of the voting right in respect of such person's ordinary shares.

Restrictions on share ownership

As of 31 December 2017 there were no limitations under Dutch law or the Articles of Association on the right to own Ordinary Shares, including the right of non-Dutch nationals or residents rights to hold or exercise voting rights.

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General Meeting

Frequency, notice and agenda of General Meetings

ING's General Meeting is normally held each year in April or May to discuss the course of business in the preceding financial year on the basis of the reports prepared by the Executive Board and the Supervisory Board, and to decide on:

The distribution of dividends or other distributions;

The appointment and/or reappointment of members of the Executive Board and the Supervisory Board;

Any other items requiring shareholder approval pursuant to Dutch law; and

Any other matters proposed by the Supervisory Board, the Executive Board or shareholders in accordance with the Articles of Association.

General Meetings are convened by public notice via the ING Group website (www.ing.com) at least 42 days before the day of the General Meeting.

As provided in the Dutch Civil Code, implementing the BRRD, ING Group's Articles of Association permit this convocation period to shorten to 10 days if (i) ING Group meets the criteria for early intervention measures, (ii) resolution can be avoided by means of a capital increase, and (iii) a general meeting would be required to enable ING Group to issue the required number of shares.

As of the date of convening a General Meeting, all information relevant for shareholders is made available via the ING Group website and through its head office. Information relevant for shareholders includes the notice of the General Meeting, the agenda, the place and time of the meeting, the address of the website of ING Group, the verbatim text of the proposals with an explanation and instructions on how to participate in the meeting (either in person or by proxy), as well as the reports of the Executive Board and the Supervisory Board. More complex proposals, such as proposals to amend the Articles of Association, are normally not included in the notice, but are made available separately on the website of ING Group and at the ING Group head office.

Proposals by shareholders

Proposals to include items on the agenda for a General Meeting that have been adequately substantiated under applicable Dutch law can be made by shareholders representing together at least one per cent of the issued share capital.

Dialogue with shareholders

Shareholders are given the opportunity to contact ING about the Annual General Meeting, via the Annual General Meeting dedicated web page on the website of ING Group (www.ing.com).

Record date

Pursuant to Dutch law, the record date for attending a general meeting and voting on the proposals at that general meeting is the 28th day before the day of the general meeting. Only those who hold shares at the record date are entitled to attend the general meeting and to exercise other rights related to the general meeting in question on the basis of their holding at the record date, notwithstanding any subsequent sale or purchase of shares. The record date is published in the notice for the general meeting. If the shortened convocation of 10 days is applicable (see above,

paragraph: Frequency, notice and agenda of General Meetings), the record date is two days after the convocation date.

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In accordance with US requirements, the depository sets a record date for the ADRs, which date determines which ADR are entitled to give voting instructions. This record date can differ from the record date set by ING Group for shareholders.

Attending General Meetings

Holders of ordinary shares may attend a General Meeting in person, or may grant a proxy in writing to a third party to attend the meeting and to vote on their behalf. Prior to a General Meeting, ING will make proxy forms available on its website. For logistical reasons, attending the General Meeting, either in person or by proxy, is subject to the requirement that ING Group is notified in advance. Instructions to that effect are included in the notice for the General Meeting.

General Meetings are webcast via ING Group's website www.ing.com, so that shareholders who do not attend the General Meeting in person may nevertheless follow the meeting online.

Voting rights on shares

Each share entitles the holder to cast one vote at the General Meeting. The Articles of Association do not restrict the voting rights on any class of shares. ING Group is not aware of any agreement pursuant to which voting rights on any class of its shares are restricted.

Proxy voting facilities

ING Group provides proxy voting facilities to its investors via its website and solicits proxies from its ADR holders in line with common practice in the US.

Proxy voting forms for shareholders are made available on the website of ING Group (www.ing.com). By returning the form, shareholders will give a proxy to an independent proxy holder (a public notary registered in the Netherlands) who will vote according to the instructions expressly given on the proxy form. The submission of these forms is subject to additional conditions specified on such forms.

To encourage participation at the Annual General Meeting, ING provides the EVO (e-voting) platform, an online facility through which shareholders can register for a meeting or appoint a proxy.

Main powers of the General Meeting The main powers of the General Meeting are to decide on:

The appointment, suspension and dismissal of members of the Executive Board and members of the Supervisory Board, subject to a binding nomination or a proposal of the Supervisory Board as set forth in the Articles of Association.

The adoption of the annual accounts.

The declaration of dividends, subject to the power of the Executive Board to allocate part or all of the profits to the reserves with approval of the Supervisory Board and the declaration of other distributions, subject to a

proposal by the Executive Board and approved by the Supervisory Board.

The appointment of the external auditor.

An amendment of the Articles of Association, a legal merger or division of ING Group, and winding-up of ING Group, all subject to a proposal made by the Executive Board with approval by the Supervisory Board.

The issuance of shares or rights to subscribe for shares, the restriction or exclusion of pre-emptive rights of shareholders, and delegation of these powers to the Executive Board, subject to a proposal by the Executive Board which has been approved by the Supervisory Board.

The authorisation of a repurchase of outstanding shares and/or a cancellation of shares.

In addition, the approval of the General Meeting is required for Executive Board decisions that would be expected to have a material effect on the identity or nature of ING Group or its enterprise.

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Reporting

Resolutions adopted at a General Meeting are generally published on the website of ING Group (www.ing.com), within one week following the meeting. In accordance with the Corporate Governance Code, the draft minutes of the General Meeting are made available to shareholders on the website of ING Group (www.ing.com) no later than three months after the meeting. Shareholders may react to the draft minutes in the following three months, after which the final minutes are adopted by the chairman of the meeting in question and by a shareholder appointed by that meeting. The final minutes are made available on the website of ING Group (www.ing.com). By exception to the provisions of the Corporate Governance Code, shareholders will not have the opportunity to react to the minutes of a General Meeting if a notarial report of the meeting is made, as this would be in conflict with laws applicable to such notarial report.

Capital and shares

Capital structure

The authorised capital of ING Group consists of ordinary shares and cumulative preference shares. Currently, only ordinary shares are issued, while a call option to acquire cumulative preference shares has been granted to the ING Continuity Foundation (Stichting Continuïteit ING). The acquisition of cumulative preference shares pursuant to the call option is subject to the restriction that, immediately after the issuance of cumulative preference shares, the total amount of cumulative preference shares outstanding may not exceed one- third of the total issued share capital of ING Group. The purpose of this call option is to protect the independence, the continuity and the identity of ING Group against influences that are contrary to the interests of ING Group, its enterprise and the enterprises of its subsidiaries and all stakeholders (including, but not limited to, hostile takeovers). However, the ordinary shares are not used for protective purposes.

The board of the ING Continuity Foundation is comprised of four members who are independent of ING Group. No (former) Executive Board member, (former) Supervisory Board member, (former) ING Group employee or (former) permanent adviser to ING Group is on the board of the ING Continuity Foundation. The Board of the ING Continuity Foundation appoints its own members, after consultation with the Supervisory Board of ING Group, but without any requirement for approval by ING Group.

ING Group s authorised capital is the maximum amount of capital allowed to be issued under the terms of the Articles of Association. New shares in excess of this amount can only be issued if the Articles of Association are amended. For reasons of flexibility and to meet the requirement as set forth in the Bank Resolution and Recovery Directive (BRRD) that the amount of authorised share capital should at all times be sufficient to permit the issuance of as many ordinary shares as required for a potential future bail-in, ING Group seeks to continue the authorised capital in the Articles of Association at the highest level permitted by law, which is five times the actually issued share capital.

Issuance of shares

Share issuances are decided by the General Meeting, which may also delegate its authority. Each year, a proposal is made to the General Meeting to delegate authority to the Executive Board to issue new ordinary shares or to grant rights to subscribe to new ordinary shares, both with and without pre-emptive rights for existing shareholders.

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The set-up and content of the currently applicable share issue authorisation have been discussed with many investors, proxy advisors and other stakeholders and ING has taken into account their feedback. It enables the Executive Board to issue ordinary shares (including the granting of rights to subscribe for ordinary shares, such as warrants or in connection with convertible debt instruments) for a period of 18 months, ending on 8 November 2018:

- 1 Up to 40 percent of the issued share capital in connection with a rights issue, being a share offering to all shareholders in proportion to their existing holdings of ordinary shares as nearly as may be practical. However, the Executive Board and Supervisory Board may exclude certain shareholders from such a share offering for practical or legal reasons such as record dates, fractional entitlements, treasury shares, applicable legal restrictions on share offerings or in the context of a syndicated rights issue; plus
 - 2 Up to 10 percent of the issued share capital, with or without pre-emptive rights of existing shareholders. Specific approval by the General Meeting is required for any share issuance exceeding these limits.
- The purpose of this share issue authorisation is to delegate the power to issue new ordinary shares to the Executive Board. Accordingly, the Executive Board is authorised to issue new ordinary shares without first having to obtain the consent of the General Meeting which in the Netherlands is subject to a statutory convocation period of at least 42 days. This authorisation gives the ING Group flexibility in managing its capital resources, including regulatory capital, while taking into account shareholders' interests to prevent dilution of their shares. It particularly enables ING Group to respond promptly to developments in the financial markets, should circumstances so require. The Executive Board and the Supervisory Board consider it in the best interests of ING Group to have the flexibility this authorisation provides.

This authorisation may be used for any purpose, including but not limited to strengthening capital, financing, mergers or acquisitions. However, the authorisation to issue ordinary shares by way of rights issue cannot be used for mergers or acquisitions on a stock-for-stock basis as this is incompatible with the concept of pre-emptive rights for existing shareholders. In line with market practice, ING Group currently intends to include the following categories of shareholders in such a rights issue:

- 1 Qualified investors as well as retail investors in the Netherlands and the US (SEC registered offering);
 - 2 Qualified investors in EU member states;
 - 3 Retail investors in EU member states where ING has a significant retail investor base, provided that it is feasible to meet local requirements (in ING's 2009 rights offering, shares were offered to existing shareholders in Belgium, France, Germany, Luxembourg, Spain and the UK, where ING believed the vast majority of retail investors were located at that time);
 - 4 Qualified or institutional investors in Canada and Australia.
- Retail investors in Canada and Australia and investors in Japan will not be included in such a share offering.

Shareholders who are not allowed to, do not elect to, or are unable to subscribe to a rights offering, are entitled to sell their rights in the market or receive any net financial benefit upon completion of a rump offering after the exercise period has ended.

The share issue authorisation that will be proposed to the 2018 Annual General Meeting will be along the same lines as the currently applicable authorisation described above.

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Transfer of shares and transfer restrictions

Shares not included in the Securities Giro Transfer system (*Wet Giraal Effectenverkeer* system) are transferred by means of a deed of transfer between the transferor and the transferee. To become effective, ING Group has to acknowledge the transfer, unless ING Group itself is a party to the transfer. The Articles of Association do not restrict the transfer of ordinary shares whereas the transfer of cumulative preference shares is subject to prior approval of the Executive Board. ING Group is not aware of the existence of any agreement pursuant to which the transfer of ordinary shares or depositary receipts for such shares is restricted.

Shares that are included in the Securities Giro Transfer system are transferred pursuant to the Securities Giro Transfer Act (*Wet Giraal Effectenverkeer*). A shareholder who wishes to transfer such shares, must instruct the securities intermediary where his shares are administered accordingly.

Repurchase of shares

ING Group may repurchase issued shares. Although the power to repurchase shares is vested in the Executive Board subject to the approval of the Supervisory Board, prior authorisation from the General Meeting is required for these repurchases. Under Dutch law, this authorisation lapses after 18 months. Each year, a proposal is made to the General Meeting to authorise the repurchase of shares by the Executive Board.

Pursuant to this authorisation, no more than 10 percent of ING Group's share capital may be held as treasury shares. When repurchasing shares, the Executive Board must observe the price ranges prescribed in the authorisation. For the ordinary shares, the authorisation currently in force stipulates a minimum price of one eurocent and a maximum price equal to the highest stock price on the Amsterdam stock exchange on the date on which the purchase agreement is concluded or on the preceding day of stock market trading.

Special rights of control

No special rights of control referred to in Article 10 of the directive of the European Parliament and the Council on takeover bids (2004/25/EC) are attached to any share.

Shareholders' structure

Pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), any person who, directly or indirectly, acquires or disposes of an interest in the voting rights and/or the capital of ING Group as a result of which acquisition or disposal the percentage of his voting rights or capital interest, whether through ownership of shares, American depositary shares (*ADR*) or any other financial instrument, whether stock-settled or cash-settled, such as call or put options, warrants, swaps or any other similar contract, reaches, exceeds or falls below certain thresholds, is required to notify in writing the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) immediately after the acquisition or disposal of the triggering interest in ING Group's share capital. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% of the issued share capital of ING Group. The notification will be recorded in a public register that is held by the Dutch Authority for the Financial Markets.

Details of investors, if any, who have reported their interest in ING Group pursuant to the Dutch Financial Supervision Act (or the predecessor of this legislation).

ING Group is not aware of any investors (or potential shareholders) with an interest of three percent or more in ING Group other than those disclosed in *Item 7.A Major Shareholders* as per year-end 2017.

Pursuant to Regulation (EU) no. 236/2012 of the European Parliament and the Council on short-selling and certain aspects of credit default swaps, any person who acquires or disposes of a net short position relating to the issued share capital of ING Group, whether by a transaction in shares or ADRs, or by a transaction creating or relating to any financial instrument where the effect or one of the effects of the transaction is to confer a financial advantage

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on the person entering into that transaction in the event of a change in the price of such shares or ADRs, is required to notify, in accordance with the provisions of the above-mentioned regulation:

- a. The Dutch Authority for the Financial Markets if, as a result of such acquisition or disposal the person's net short position reaches, exceeds or falls below 0.2% of the issued share capital of ING Group and each 0.1% above that.
- b. ING Group if, as a result of such acquisition or disposal the person's net short position reaches, exceeds or falls below 0.5% of the issued share capital of ING Group and each 0.1% above that.

Change of control provisions

Legal provisions

Pursuant to the terms of the Dutch Financial Supervision Act, a declaration of no objection from the ECB must be obtained by anyone wishing to acquire or hold a participating interest of at least 10 percent in ING Group and to exercise control attached to such a participating interest. Similarly, on the basis of indirect change of control statutes in the various jurisdictions where subsidiaries of ING Group are operating, permission from, or notification to, local regulatory authorities may be required for the acquisition of a substantial interest in ING Group.

Change of control clauses in material agreements

ING Group is not a party to any material agreement that becomes effective or is required to be amended or terminated, in case of a change of control of ING Group following a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. ING Group subsidiaries may have customary change of control arrangements included in agreements related to various business activities, such as joint-venture agreements, letters of credit and other credit facilities, ISDA-agreements, hybrid capital and debt instruments, insurance and reinsurance agreements and futures and option trading agreements.

Following a change of control of ING Group (as a result of a public bid or otherwise) such agreements may be amended or terminated, leading, for example, to an obligatory transfer of the interest in the joint venture, early repayment of amounts due, loss of credit facilities or reinsurance cover, and liquidation of outstanding futures and option trading positions.

Severance payments to members of the Executive Board

The contracts entered into with the members of the Executive Board provide for severance payments, that become due upon termination of the applicable Executive Board member's contract, including if termination occurs in connection with a public bid as defined in section 5:70 of the Dutch Financial Supervision Act. For purposes of calculating the amounts due, it is not relevant whether or not termination of the employment or commission contract is related to a public bid. Severance payments to the members of the Executive Board are limited to a maximum of one year's fixed salary, in line with the Dutch Financial Supervision Act and the Corporate Governance Code.

Amendment of the Articles of Association

The General Meeting may resolve to amend the Articles of Association of ING Group, provided that the resolution is adopted based on a proposal of the Executive Board, which has been approved by the Supervisory Board. An

amendment of the Articles of Association is required to be passed by notarial deed.

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C. Material contracts

There have been no material contracts outside the ordinary course of business to which ING Groep N.V. or any of its subsidiaries is a party in the last two years.

D. Exchange controls

Cash distributions, if any, payable in Euros on Ordinary Shares and ADSs may be officially transferred from the Netherlands and converted into any other currency without violating Dutch law, except that for statistical purposes such payments and transactions must be reported by ING Groep N.V. to the Dutch Central Bank and, further, no payments, including dividend payments, may be made to jurisdictions or persons subject to certain sanctions, adopted by the government of the Netherlands or the European Union.

E. Taxation

The following is a summary of certain Netherlands tax consequences, and the United States federal income tax consequences, of the ownership of our Ordinary Shares or American Depositary Shares (ADSs) by U.S. Shareholders (as defined below) who hold Ordinary Shares or ADSs as capital assets.

For the purposes of this summary, a U.S. Shareholder is a beneficial owner of Ordinary Shares or ADSs that is:

an individual citizen or resident of the United States,

a corporation organized under the laws of the United States or of any state of the United States,

an estate, the income of which is subject to United States federal income tax without regard to its source, or

a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

Further, this summary is limited to U.S. Shareholders who are not, and are not deemed to be, a resident of the Netherlands for Dutch tax purposes.

This summary is based on the United States Internal Revenue Code of 1986 and the laws of the Netherlands, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the tax treaty between the United States and the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (Treaty), all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. The information provided below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to investors and prospective investors. It should not be read as extending to matters not specifically discussed, and investors should consult their own advisors as to the tax consequences of their ownership and disposal of Ordinary Shares or ADSs. In particular, the summary does not take into account the specific circumstances of particular investors (such as tax-exempt organizations, banks, insurance companies, dealers in securities, traders in securities that elect to mark-to-market their securities holdings, investors

liable for alternative minimum tax, investors whose functional currency is not the U.S. dollar, investors that actually or constructively own 10% or more of the combined voting power of the voting stock or of the total value of ING Groep N.V., investors that hold Ordinary Shares or ADSs as part of a straddle or a hedging or conversion transaction, investors that acquired or dispose of Ordinary Shares or ADSs as part of a wash sale, or investors that own Ordinary Shares or ADSs through a partnership), some of which may be subject to special rules.

Moreover, this summary does not discuss the Dutch tax treatment of a holder of Ordinary Shares or ADSs that is an individual who receives income or capital gains derived from the Ordinary Shares and ADSs and this income received or capital gains derived are attributable to the past, present or future employment activities of such holder.

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The summary is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. In general, for United States federal income tax and Netherlands tax purposes, holders of ADSs will be treated as the owners of the Ordinary Shares underlying the ADSs, and exchanges of Ordinary Shares for ADSs, and exchanges of ADSs for Ordinary Shares, will not be subject to United States federal income tax or Netherlands income tax. References to Ordinary Shares in this section include references to ADSs.

It is assumed, for purposes of this summary, that a U.S. Shareholder is eligible for the benefits of the Treaty and that a U.S. Shareholder's eligibility is not limited by the limitation on benefits provisions of the Treaty.

Netherlands Taxation

Withholding tax on dividends

The Netherlands imposes a withholding tax on a distribution of a dividend at the statutory rate of 15%. Dividends include:

- i. dividends paid in cash and in kind;
- ii. deemed and constructive dividends;
- iii. the consideration for the repurchase or redemption of shares in excess of the qualifying average paid-in capital unless such repurchase is made for temporary investment purposes or is exempt by law;
- iv. any (partial) repayment of paid-in capital not qualifying as capital for Dutch dividend withholding tax purposes;
- v. liquidation proceeds in excess of the qualifying average paid-in capital for Dutch dividend withholding tax purposes; and
- vi. stock dividends up to their nominal value (unless distributed out of ING Groep N.V.'s qualifying paid-in capital).

Reduction of Dutch dividend withholding tax based on Dutch law

Under certain circumstances, a reduction of Dutch dividend withholding tax can be obtained based on Dutch law:

- i. An exemption at source is available if the Dutch participation exemption applies and the Ordinary Shares or ADSs are attributable to a business carried out in the Netherlands. To qualify for the Dutch participation exemption, the U.S. Shareholder must generally hold at least 5.0 percent of our nominal paid-in capital and

meet certain other requirements.

- ii. As per January 1, 2018 a new dividend withholding tax exemption provision was introduced in Dutch law. Based on this new provision, an exemption at source is available for dividend distributions to certain qualifying corporate U.S. Shareholders owning our Ordinary Shares or ADSs if such shareholder would have been able to apply the Dutch participation exemption if it would have been resident of the Netherlands, unless such shareholder holds the Ordinary Shares or ADSs with the primary aim or one of the primary aims to evade the levy of Dutch dividend withholding tax at the level of another person and the Ordinary Shares or ADSs are not held for valid commercial reasons that reflect economic reality.
- iii. Certain tax exempt organizations (e.g. pension funds and excluding collective investment vehicles) may be eligible for a refund of Dutch dividend withholding tax upon their request. Based on domestic law not yet entered into force, in those circumstances, an exemption at source may also become available upon request.
- iv. Upon request and under certain conditions, certain qualifying individual and corporate U.S Shareholders of Ordinary Shares or ADSs which are not subject to personal or corporate income tax in the Netherlands may request a refund of Dutch dividend withholding tax insofar the withholding tax withheld on the gross dividend is higher than the personal or corporate income tax which would have been due on the net dividend if they were resident or established in the Netherlands. This refund is however not applicable when,

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based on the Treaty, the Dutch dividend withholding tax can be fully credited in the United States by the U.S. Shareholder. However, it is unclear whether (i) which (financing) costs can be taken into account when determining the hypothetical personal or corporate income tax due on the net income (ii) or how the Netherlands would determine whether, based on the double taxation convention, a full credit is available in the country of residence of the holder for purposes of this refund. See United States Taxation Taxes on dividends for more information. The new provision in essence is intended to be a codification of certain judgments by both the European Free Trade Association Court of Justice and the European Court of Justice that already indicated that in certain circumstances a refund should be available prior to the introduction of the provision in Dutch law. It is possible that this provision is an insufficient codification of these judgments and that based on EU law a larger refund should be provided.

Reduction of Dutch dividend withholding tax based on the Treaty

Pursuant to the provisions of the Treaty, certain corporate U.S. Shareholders owning directly at least 10% of our voting power are eligible for a reduction to 5% Dutch dividend withholding tax provided that the U.S. Shareholder is the beneficial owner of the dividends received and does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or permanent representative in the Netherlands to which the dividends are attributable. The Treaty also provides for a dividend withholding tax exemption on dividends, but only for a shareholder owning directly at least 80.0 percent of our voting power and meeting all other requirements.

Provided that certain conditions are met, under the Treaty dividends paid to qualifying exempt pension trusts and other qualifying exempt organizations, as defined in the Treaty, are exempt from Dutch dividend withholding tax. To obtain a refund of the tax withheld such qualifying exempt pension trusts are required to file a request. Only if certain conditions are fulfilled, such qualifying exempt pension trusts may be eligible for relief at source upon payment of the dividend. Qualifying exempt organizations (other than qualifying exempt pension trusts) can only file for a refund of the tax withheld.

Anti-dividend stripping rules

Pursuant to the Dutch anti-dividend stripping rules, in the case of dividend-stripping, the 15% dividend withholding tax cannot be reduced or refunded. Dividend-stripping is deemed to be present if the recipient of a dividend is, different from what has been assumed above, not the beneficial owner thereof and is entitled to a larger credit, reduction or refund of dividend withholding tax than the beneficial owner of the dividends. Under these rules, a recipient of dividends will not be considered the beneficial owner thereof if as a consequence of a combination of transactions a person other than the recipient wholly or partly benefits from the dividends, whereby such person retains, whether directly or indirectly, an interest similar to the shares on which the dividends were paid.

Credit for ING Groep N.V.

ING Groep N.V. may, with respect to certain dividends received from qualifying non-Netherlands subsidiaries, credit taxes withheld from those dividends against the Netherlands withholding tax imposed on certain qualifying dividends that are redistributed by ING Groep N.V., up to a maximum of the lesser of:

3% of the amount of qualifying dividends redistributed by ING Groep N.V.; and

3% of the gross amount of certain qualifying dividends received by ING Groep N.V.
The reduction is applied to the Dutch dividend withholding tax that ING Groep N.V. must pay to the Dutch tax authorities and not to the Dutch dividend withholding tax that ING Groep N.V. must withhold.

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Taxes on income and capital gains

Income and capital gains

Income and capital gains derived from the Ordinary Shares or ADSs by an individual or corporate U.S. Shareholder are generally not subject to Netherlands income tax or corporation tax, unless:

- v. such income and gains are attributable to a (deemed) permanent establishment or (deemed) permanent representative in the Netherlands of the U.S. Shareholder; or
- vi. the shareholder is entitled to a share in the profits of an enterprise or (in case of a non-Dutch resident corporate shareholder only) a co-entitlement to the net worth of an enterprise, that is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Ordinary Shares or ADSs are attributable; or
- vii. such income and capital gains are derived from a direct, indirect or deemed substantial interest in the share capital of ING Groep N.V. (such substantial interest not being a business asset), and in the case of a non-Dutch resident corporate shareholder only, that substantial interest is being held with the primary aim or one of the primary aims to avoid the levy of income tax from another person and is put in place without valid economic reasons that reflect economic reality;
- viii. in case of a non-Dutch resident corporate shareholder, such shareholder is a resident of Aruba, Curacao or Saint Martin with a permanent establishment or permanent representative in Bonaire, Eustatius or Saba to which the Ordinary Shares or ADS are attributable, while the profits of such shareholder are taxable in the Netherlands pursuant to Article 17(3)(c) of the Dutch Corporate Tax Act 1969; or
- ix. in case of a non-Dutch resident individual, such individual derives income or capital gains from the Ordinary Shares or ADSs that are taxable as benefits from miscellaneous activities in the Netherlands (resultaat uit overige werkzaamheden), as defined in the Dutch Income Tax Act 2001), which includes the performance of activities with respect to the Ordinary Shares or ADSs that exceed regular portfolio management.

Substantial interest

Generally speaking, for Dutch tax purposes, an interest in the share capital of ING Groep N.V., should not be considered a substantial interest if the holder of such interest, and, in case of an individual, his or her spouse, registered partner, certain other relatives or certain persons sharing the holder's household, alone or together, does or do not hold, either directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing 5% or more of the total issued and outstanding capital, or the issued and outstanding capital of any class of shares, of ING Groep N.V.

Gift or inheritance tax

No Netherlands gift or inheritance tax will be imposed on the transfer or deemed transfer of the Ordinary Shares or ADSs by way of a gift by or on the death of a U.S. Shareholder if, at the time of the gift or the death of that shareholder, such shareholder is not a (deemed) resident of the Netherlands.

Netherlands inheritance or gift taxes (as the case may be) are due, however, if the transfer of the bearer receipts or ADSs are construed as an inheritance or as a gift made by or on behalf of a person who, at the time of the gift or death, is deemed to be a resident of the Netherlands. For the purposes of Netherlands gift or inheritance tax, an individual of Dutch nationality is deemed to be a resident of the Netherlands if he or she has been a resident thereof at any time during the ten years preceding the time of the gift or death. For the purposes of Netherlands gift tax, any person is deemed to be a resident of the Netherlands if he or she has resided therein at any time in the twelve months preceding the gift.

Table of Contents**United States Taxation****Taxes on dividends**

Subject to the passive foreign investment company rules discussed below, for United States federal income tax purposes, a U.S. Shareholder will be required to include in gross income the full amount of a cash dividend (including any Netherlands withholding tax withheld) as ordinary income when the dividend is actually or constructively received by the U.S. Shareholder. For this purpose, a dividend will include any distribution paid by ING Groep N.V. with respect to the Ordinary Shares, but only to the extent such distribution is not in excess of ING Groep N.V.'s current and accumulated earnings and profits as determined for United States federal income tax purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of a U.S. Shareholder's basis in the Ordinary Shares and thereafter as capital gain. Because ING Groep N.V. does not keep account of its earnings and profits, as determined for United States federal income tax purposes, U.S. Shareholders should generally expect to treat any distribution as a dividend for U.S. federal income tax purposes.

For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on the circumstances of the U.S. Shareholder, generally be passive income for purposes of computing the foreign tax credit allowable to the shareholder. A dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Dividends paid to a non-corporate U.S. Shareholder that are considered qualified dividend income will be taxable to the shareholder at preferential rates applicable to long-term capital gains provided that the shareholder holds the Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid by ING Groep N.V. with respect to the Ordinary Shares generally will be qualified dividend income.

Subject to certain limitations, a U.S. Shareholder may generally deduct from income, or credit against its United States federal income tax liability, the amount of any Netherlands withholding taxes under the Treaty. The Netherlands withholding tax will likely not be creditable against the U.S. Shareholder's United States tax liability, however, to the extent that ING Groep N.V. is allowed to reduce the amount of dividend withholding tax paid over to the Netherlands Tax Administration by crediting withholding tax imposed on certain dividends paid to ING Groep N.V. In addition, special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to preferential rates. To the extent a refund of the tax withheld is available to you under Dutch law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. In addition, to the extent an amount of Dutch tax withheld is contingent on the availability of a credit against the amount of income tax owed to another country, that amount of Dutch tax withheld will not be eligible for a credit against your United States federal income tax liability. It is unclear whether or how the Netherlands would apply this rule in determining whether, based on the Treaty, a credit is available in the United States for purposes of the new dividend withholding tax refund provision described in Section IV under Netherlands Taxation Withholding tax on dividends Reduction of Dutch dividend withholding tax based on Dutch law .

Since payments of dividends with respect to Ordinary Shares will be made in Euros, a U.S. Shareholder will generally be required to determine the amount of dividend income by translating the Euro into United States dollars at the spot rate on the date the dividend distribution is includable in the income of the U.S. Shareholder. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend distribution is includable in the income of the U.S. Shareholder to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit

limitation purposes.

Table of Contents**Taxes on capital gains**

Subject to the passive foreign investment company rules discussed below, gain or loss on a sale or exchange of Ordinary Shares by a U.S. Shareholder will generally be a capital gain or loss for United States federal income tax purposes. If such U.S. Shareholder has held the Ordinary Shares for more than one year, such gain or loss will generally be long-term capital gain or loss. Long-term capital gain of a non-corporate U.S. Shareholder is generally taxed at preferential rates. In general, gain or loss from a sale or exchange of Ordinary Shares by a U.S. Shareholder will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive foreign investment company

ING Groep N.V. believes it is not a passive foreign investment company (a PFIC) for United States federal income tax purposes. This is a factual determination that must be made annually and thus may change.

If ING Groep N.V. were to be treated as a PFIC, unless a U.S. Shareholder made an effective election to be taxed annually on a mark-to-market basis with respect to the Ordinary Shares, any gain from the sale or disposition of Ordinary Shares by a U.S. Shareholder would be allocated ratably to each year in the holder's holding period and would be treated as ordinary income. Tax would be imposed on the amount allocated to each year prior to the year of disposition at the highest rate in effect for that year, and interest would be charged at the rate applicable to underpayments on the tax payable in respect of the amount so allocated. The same rules would apply to excess distributions, defined generally as distributions in a single taxable year exceeding 125% of the average annual distribution made by ING Groep N.V. over the shorter of the holder's holding period or the three preceding years. Dividends received by a U.S. Shareholder will not be eligible for the special tax rates applicable to qualified dividend income if ING Groep N.V. were to be treated as a PFIC with respect to the shareholder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

A U.S. Shareholder who owns Ordinary Shares during any year that ING Groep N.V. is a PFIC may be required to file Internal Revenue Service Form 8621.

F. Dividends and paying agents

This item does not apply to annual reports on Form 20-F.

G. Statement by experts

This item does not apply to annual reports on Form 20-F.

H. Documents on display

ING Groep N.V. is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, ING Groep N.V. files reports and other information with the Securities and Exchange Commission (SEC). These materials, including this Annual Report and its exhibits, may be inspected and copied at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 or on the SEC's website at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for more information about the public reference room and the copy charges. You may also inspect ING Groep N.V.'s SEC reports and other information

located at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, or on the website of ING Groep N.V. (www.ing.com).

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I. Subsidiary information

This item does not apply to annual reports on Form 20-F.

Item 11. Quantitative and Qualitative Disclosure of Market Risk

See Item 5. Operating and Financial Review and Prospects Factors Affecting Results of Operations and Note 2.2.1 Risk Management to the consolidated financial statements for these disclosures, including disclosures relating to operational, compliance and other non-market-related risks.

Item 12. Description of Securities Other Than Equity Securities

A. Debt securities

This item does not apply to annual reports on Form 20-F.

B. Warrants and rights

This item does not apply to annual reports on Form 20-F.

C. Other securities

This item does not apply to annual reports on Form 20-F.

D. American depositary shares

Fees and Charges Payable by a Holder of ADSs

JP Morgan Chase Bank, N.A., as ADR depository, collects fees for delivery and surrender of ADSs directly from investors, or from intermediaries acting for them, depositing Ordinary Shares or surrendering ADSs for the purpose of withdrawal. Such fees and charges shall be assessed on a proportionate basis against holders of the record date(s) set by the ADR depository and shall be payable at the sole discretion of the ADR depository by billing such holders or by deducting such charge from one or more cash dividends or other cash distribution.

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The charges of the ADR depositary payable by investors are as follows:

Type of Service	ADR Depositary Actions	Fee
ADR depositary or substituting the underlying shares	Issuance of ADSs against the deposit of Ordinary Shares, including deposits and issuances in respect of: Share distributions, stock splits, rights, merger Exchange of securities or other transactions or event or other distribution affecting the ADSs or deposited securities	\$ 5.00 or less per 100 ADSs (or portion thereof) evidenced by the new ADSs delivered
Receiving or distributing cash dividends	Distribution of cash dividends	\$ 5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
Transfer of ADRs	Registration of transfers in the ADR register and issuance of new ADRs for the number of ADSs as evidenced by the ADRs surrendered	\$ 1.50 per ADR
Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	\$ 5.00 or less per each 100 ADSs (or portion thereof)
Withdrawing an underlying Ordinary Share	Acceptance of ADSs surrendered for withdrawal of deposited Ordinary Shares	\$ 5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
General depositary services, particularly those charged on an annual basis	Other services performed by the ADS depositary in administering the ADS program	\$ 5.00 or less for each 100 ADSs (or portion thereof) evidenced by the ADSs surrendered
Expenses of the ADR depositary	Expenses incurred on behalf of Holders in connection with:	Payable by holders or persons depositing ADSs or in the case

Taxes and other governmental charges

Cable, telex and facsimile transmission/delivery

Transfer or registration fees, if applicable, for the registration of transfers or underlying Ordinary Shares

Expenses of the Depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency)

Any other charge payable by ADR depositary or its agents

of conversion of foreign currencies into U.S. dollars, by deducting out of such foreign currency the fees and expenses charged by ADR depositary

Table of Contents**Fees and Payments made by the ADR depositary to ING**

The ADR depositary has agreed to reimburse certain ING expenses related to ING's ADR program and incurred by ING in connection with the program. In the year ended 31 December 2017, the ADR depositary reimbursed to ING, or paid amounts on its behalf to third parties, a total sum of \$3,637,417.75.

The table below sets forth the types of expenses that the ADR depositary has agreed to reimburse and the amounts reimbursed in the year ended 31 December 2017:

Amount reimbursed

Amounts in euros	2017
Category of expense reimbursed to ING	
Investor relations, including upfront contribution	\$ 3,637,417.75
Total	\$ 3,637,417.75

Under certain circumstances, including removal of the ADR depositary or termination of the ADR program by ING, ING is required to repay the ADR depositary certain amounts reimbursed and/or expenses paid to or on behalf of ING.

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PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Internal control over financial reporting

Due to the listing of ING shares on the New York Stock Exchange, ING Group is required to comply with the SEC regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act (SOX 404). These regulations require that the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of ING Group report and certify on an annual basis on the effectiveness of ING Group s internal controls over financial reporting. Furthermore, the external auditors are required to provide an opinion on the effectiveness of ING Group s internal controls over financial reporting.

SOX 404 activities are organised along the lines of the governance structure, and involve the participation of senior management across ING. Following the SOX 404 process, ING is in the position to publish an unqualified statement that the Company s internal control over financial reporting was effective as of 31 December 2017. The SOX 404 statement by the Executive Board is included on this page, followed by the report of the external auditor as issued on Form 20-F.

Disclosure Controls and Procedures as of December 31, 2017

The Company s management under the supervision and with the participation of the CEO and CFO, has performed an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s management concluded that the Company s disclosure controls and procedures were effective as of December 31, 2017, the end of the period covered by the 2017 Form 20-F.

Disclosure Controls and Procedures as of December 31, 2016

The Company s management under the supervision and with the participation of the CEO and CFO, has performed an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Company s management concluded that the Company s disclosure controls and procedures were effective as of December 31, 2016, the end of the period covered by the 2016 Form 20-F.

Report of the Executive Board on Internal Control Over Financial Reporting

The Executive Board is responsible for establishing and maintaining adequate internal control over financial reporting. ING s internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the

preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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Our internal control over financial reporting includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of ING;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorisations of our management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the agree of compliance with the policies or procedures may deteriorate.

The Executive Board assessed the effectiveness of internal control over financial reporting as of 31 December 2017. In making this assessment, the Executive Board performed tests based on the criteria of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in Internal Reporting Integrated Framework (2013 Framework). Based on the Executive Board s assessment and those criteria, the Executive Board concluded that the Company s internal control over disclosure and financial reporting was effective as of 31 December 2017.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm has audited and issued their report on ING s internal control over financial reporting, which appears on the below page.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company s internal controls over financial reporting during the period covered by this Annual Report that have materially affected or are reasonably likely to materially affect, our internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Supervisory Board

ING Groep N.V.:

Opinion on Internal Control Over Financial Reporting

We have audited ING Groep N.V. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in

all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2017 and

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2016, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements), and our report dated March 5, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of the Executive Board on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands

March 5, 2018

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Item 16A. Audit Committee Financial Expert

Following the unforeseen departure in September 2015 of Carin Gorter, the Supervisory Board has determined that no member of the Audit Committee is an audit committee financial expert as defined by the SEC. The Supervisory Board subsequently sought to identify further members of the Audit Committee who would also qualify as an audit committee financial expert as defined by the SEC. This resulted in the proposed appointment of Margarete Haase; the Supervisory Board has determined that she is an audit committee financial expert as defined by the SEC. Margarete Haase was appointed as a member of the Supervisory Board at the General Meeting in May 2017. In light of the planned reduction of the number of her directorships at other companies, the appointment of Margarete Haase will become effective as per 1 May 2018 (as decided by the Supervisory Board in January 2018). Following the effectiveness of her appointment, Margarete Haase will also be a member of the Audit Committee. As per 1 October 2017 she already has been present as an observer at the meetings of the Audit Committee and the Supervisory Board.

Item 16B. Code of Ethics

How we work

Creating a differentiating employee experience starts with ING's distinctive culture: entrepreneurial, open, collaborative, innovative and energetic. Who we are and how we work are set out in the Orange Code, our internal Code of Ethics. Putting integrity above all, it comprises:

Our values. The non-negotiable promises we make to the world no matter what.

We are honest.

We are responsible.

We are prudent.

Our behaviours. The commitments we make to each other and the standards by which we measure each other's performance:

You take it on and make it happen.

You help others to be successful.

You are a step ahead.

The Orange Code is supported by a compliments tool, kudos, that allows employees to give each other compliments based on Orange Code behaviours. Since its launch in July 2016, over 200,000 compliments have been given by 30,000+ users of the tool. Kudos was also named Innovation of the Year at the Digital Communication Awards 2017.

Employees are introduced to the Orange Code early with new joiners invited to complete a global online e-learning introduction module that explains more about ING's culture, how we work and what we expect from employees. This is further emphasised and reinforced by the compulsory e-learning for all employees as part of the global Promoting Integrity Programme.

Our Orange Code behaviours are included within the performance management process and discussed throughout the year. They are also linked to our Employee Value Proposition, which forms the basis of all people-related programmes. Through these activities, our aim is to develop a culture that is focused on long-term value creation.

The Orange Code applies to all employees worldwide, including the principal executive, financial and accounting officers. The full text of the Orange Code is available to view on the ING website at www.ing.com/About-us/ING-Values-1. In 2017, there were no amendments to the Orange Code. ING did not grant any waivers (including implicit waivers) under the Orange Code to the principal executive, financial or accounting officers in 2017.

Regarding the management of actual or apparent conflicts of interest, ING maintains a Policy on Information Barriers and Conflicts of Interest which applies to all employees worldwide, including the principal executive, financial and accounting officers. A description of the Policy on Information Barriers and Conflicts of Interest is available to view on the ING website at <https://www.ing.com/About-us/Compliance/Information-Barriers-Conflicts-of-Interest.htm>. The relevant principle as defined in the Conflict of Interest Policy is:

Employees must not put themselves in a position in which their personal interests, financial or otherwise, might influence or give the foreseeable appearance of influencing any action they take, judgment they make, or advice they give on behalf of ING .

In 2017, there were no amendments to the Policy on Information Barriers and Conflicts of Interest. ING did not grant any waivers (including implicit waivers) under the Policy on Information Barriers and Conflicts of Interest to the principal executive, financial or accounting officers in 2017.

Regarding reporting of breaches of the Orange Code, ING maintains a Whistleblower Policy which requires prompt internal reporting of violations of the Orange Code and which applies to all employees worldwide, including including the principal executive, financial and accounting officers. The full text of the Whistleblower Policy is available to view on the ING website at www.ing.com/About-us/Compliance/ING-Group-Whistleblower-Policy.

In 2017, there were no amendments to the Whistleblower Policy. ING did not grant any waivers (including implicit waivers) under the Whistleblower Policy to the principal executive, financial or accounting officers in 2017.

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Banker's Oath

All employees working for ING in the Netherlands (including ING's principal executive, financial or accounting officers) take the Banker's Oath. The oath contains a set of principles affirming the banking industry's commitment to maintain high standards of ethical behavior. Accountability and a disciplinary sanction mechanism are linked to breaches of these principles.

Ethics expertise centers were established to support employees in dealing with dilemmas. These centers provide training and a methodology (a so-called "four-step approach") which is used in dilemma discussions and to support balanced decision making in dilemmas experienced by staff.

In 2017, there were no amendments to the Banker's Oath. ING did not grant any waivers (including implicit waivers) under the Banker's Oath to the principal executive, financial or accounting officers in 2017. The text of the banker's oath can be found here: <https://www.ing.com/About-us/Corporate-Governance/The-Dutch-Banking-Code.htm>

Item 16C. Principal Accountant Fees and Services

At the Annual General Meeting held on 11 May 2015, KPMG was appointed as the external audit firm for ING Group for the financial years 2016 through 2019. This appointment includes the responsibility to audit the financial statements of ING Group for the financial year 2017, to audit the effectiveness of internal control over financial reporting on 31 December 2017, to report on the outcome of these audits to the Executive Board and the Supervisory Board and to provide an audit opinion on the financial statements of ING Group. Additionally KPMG performs a review of the sustainability information in the annual report to obtain limited assurance and for a number of non-financial KPI's reasonable assurance, about whether this information is free from material misstatement. The sustainability information is of strategic importance to ING.

The external auditor may be questioned at the Annual General Meeting in relation to its audit opinion on the financial statements. The external auditor will therefore attend and be entitled to address this meeting. The external auditor attended the meetings of the Risk Committee and of the Audit Committee and attended and addressed the 2017 Annual General Meeting, at which the external auditor was questioned on the audit opinion.

The external auditor may only provide services to ING Group and its subsidiaries with the permission of the Audit Committee.

ING Group provides the Audit Committee with a full overview of all services provided by the external auditor, including related fees, supported by detailed information. This overview is periodically evaluated by the Audit Committee throughout the year.

More information on ING Group's policy on external auditor independence is available on the website of ING Group www.ing.com/17ar15.

Audit fees

Audit fees were paid for professional services rendered by the auditors for the audit of the consolidated financial statements of ING Group and statutory financial statements of ING's subsidiaries or services provided in connection

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with the audit of Form 20-F and other filings for regulatory and supervisory purposes as well as the review on interim financial statements.

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements and are not reported under the audit fee item above. These services consisted primarily of audits of service organisations, work performed relating to comfort letters issued in connection with prospectuses and reviews of SEC product filings.

Tax fees

Over 2017 no tax fees were paid. Under the current ING Policy on External Auditor Independence most tax services are prohibited and some tax services are only allowed after specific approval under an exception procedure .

More information on ING's policy regarding external auditor's independence is available on the website of ING Group (www.ing.com).

Reference is made to Note 26 of Note 2.1 to the consolidated financial statements for audit, audit-related, tax and all other fees paid to the external auditors in 2017, 2016 and 2015.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Registered Equity Securities by the Issuer and Affiliated Purchasers

There were no purchases of Registered Equity Securities in 2017 and 2016.

Item 16F. Changes in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

This chapter, including the parts of this Annual Report incorporated by reference, with the separate publication ING's application of the Dutch Corporate Governance Code dated 8 March 2018, (see www.ing.com), together comprise the corporate governance statement as specified in section 2a of the decree with respect to the contents of the Annual Report (Besluit inhoud bestuursverslag².)

Recent developments

Legislative and regulatory developments

On 8 December 2016, the Monitoring Committee of the Dutch Corporate Governance Code published the final version of the revised Corporate Governance Code. The Corporate Governance Code became effective on 1 January

- ² Dutch Bulletin of Acts (Staatsblad) 2004, 747, most recently amended with effect from 1 January 2018: Dutch Bulletin of Acts 2017, 332.

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2017 (*Corporate Governance Code*). According to the decree with respect to the contents of the Annual Report, Dutch listed companies are required to report, on the basis of *apply or explain* on their application of the principles and best-practice provisions of the code for the first time in their annual report for the financial year 2017.

Corporate Governance Codes

Compliance with the Corporate Governance Code

The Corporate Governance Code is the benchmark for ING's corporate governance structure and practices.

The Corporate Governance Code can be downloaded from the website of the Dutch Corporate Governance Code Monitoring Committee www.commissiecorporategovernance.nl.

ING's application of the Corporate Governance Code is described in the 2018 publication *ING's application of the Dutch Corporate Governance Code*, which is available on the website of ING Group www.ing.com. This is to be read in conjunction with this section and is deemed to be incorporated into this section.

Dutch Banking Code

The Dutch Banking Code (*Banking Code*), a revised version of which was adopted by the Dutch Banking Association in 2014, is applicable only to ING Bank N.V. and not to ING Group. The Banking Code can be downloaded from the website of the Dutch Banking Association (www.nvb.nl). Its application by ING Bank is described in the *Application of the Dutch Banking Code by ING Bank N.V.*, available on ING Group's website (www.ing.com). ING Group voluntarily applies the principles of the Banking Code regarding remuneration of the members of its Executive Board. ING Group's remuneration policy for the Executive Board and senior management is compliant with these principles.

Differences between Dutch and US corporate governance practices

In accordance with the requirements of the US Securities and Exchange Commission, ING Group, as a foreign private issuer whose securities are listed on the New York Stock Exchange (*NYSE*), must disclose in its Annual Report on Form 20-F any significant differences between its corporate governance practices and those applicable to US domestic companies under NYSE listing standards. ING Group believes the following to be the significant differences between its corporate governance practices and the NYSE corporate governance rules applicable to US companies:

ING Group has a two-tier board structure, in contrast to the one-tier board structure used by most US companies. In the Netherlands, a public limited liability company (*naamloze vennootschap*) with a two-tier board structure has an executive board as its management body and a supervisory board that advises and supervises the executive board. Supervisory board members are often former state or business leaders and sometimes former members of the executive board. A member of the executive board or other officer or employee of the company cannot simultaneously be a member of the supervisory board. The supervisory board must approve specified decisions of the executive board. Under the Corporate Governance Code, all members of the supervisory board, with the exception of not more than one person, should be independent. The definition of independence under the Corporate Governance Code however differs in its details from the definitions of independence under the NYSE listing standards. In some cases, Dutch requirements are stricter; in other cases the NYSE listing standards are stricter. The Risk Committee, Audit Committee, Nomination and Corporate Governance Committee, and Remuneration Committee of ING Group are comprised of members of the Supervisory Board.

In contrast to the Sarbanes-Oxley Act of 2002, the Corporate Governance Code contains an apply-or-explain principle, offering the possibility of deviating from the Code.

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Consistent with Dutch law, supervisory board committees generally act only in an advisory capacity to the supervisory board and, for instance, ING's Remuneration Committee may not directly set the compensation of the CEO.

Dutch law requires that ING Group's external auditors be appointed by the General Meeting and not by the Audit Committee.

The articles of association of ING Group (Articles of Association) provide that there are no quorum requirements to hold a General Meeting, although certain shareholder actions and certain resolutions may require a quorum.

The shareholder approval requirements for equity compensation plans under Dutch law and the Corporate Governance Code differ from those applicable to US companies that are subject to NYSE's listing rules. These require a shareholder vote on all equity compensation plans applicable to any employee, director or other service provider of a company. The results of such votes are advisory in nature rather than binding. Under Dutch company law and the Corporate Governance Code, binding shareholder approval is only required for equity compensation plans (or changes thereto) for members of the executive board and supervisory board, and not for equity compensation plans for other groups of employees.

Item 16H. Mine Safety Disclosure

Not applicable.

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PART III.

Item 17. Consolidated Financial Statements

Not applicable.

Item 18. Consolidated Financial Statements

Reference is made to the Consolidated financial statements of ING Group on pages F-1 to F-197.

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 2.7	<u>Senior Debt Securities Indenture between ING Groep N.V. and The Bank of New York Mellon, London Branch, as Trustee, dated March 29, 2017 (incorporated by reference to Exhibit 4.1 of ING Groep N.V.'s Report on Form 6-K filed on 29 March 2017)</u>
Exhibit 2.8	<u>First Supplemental Indenture between ING Groep N.V. and The Bank of New York Mellon, London Branch, as trustee, dated March 29, 2017, in respect of 3.150% Fixed Rate Senior Notes due 2022, 3.950% Fixed Rate Senior Notes due 2027 and Floating Rate Senior Notes due 2022 (incorporated by reference to Exhibit 4.2 of ING Groep N.V.'s Report on Form 6-K filed on 29 March 2017)</u>
Exhibit 7	<u>Statement regarding Computation of Ratio of Earnings to Fixed Charges</u>
Exhibit 8	<u>List of Subsidiaries of ING Groep N.V.</u>
Exhibit 12.1	<u>Certification of the Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002</u>
Exhibit 12.2	<u>Certification of the Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
Exhibit 13.1	<u>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</u>
Exhibit 13.2	<u>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</u>
Exhibit 15.1	<u>Consent of Ernst & Young Accountants</u>
Exhibit 15.2	<u>Consent of KPMG Accountants</u>

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SIGNATURES

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/ J.V. Timmermans
J. V. Timmermans
Chief Financial Officer

Date: March 5, 2018

Table of Contents**ADDITIONAL INFORMATION****SELECTED STATISTICAL INFORMATION ON BANKING OPERATIONS**

The information in this section sets forth selected statistical information regarding the Group's banking operations. Information for 2017, 2016 and 2015 is set forth under IFRS-IASB. Unless otherwise indicated, average balances, when used, are calculated from monthly data and the distinction between domestic and foreign is based on the location of the office where the assets and liabilities are booked, as opposed to the domicile of the customer. However, the Company believes that the presentation of these amounts based upon the domicile of the customer would not result in material differences in the amounts presented in this section.

Year ended 31 December	2017	2016	2015
Return on equity of the banking operations	13.5%	11.4%	14.9%
Return on equity of ING Group	11.4%	10.8%	10.6%
Return on assets ING Group	0.6%	0.6%	0.6%
Equity to assets of ING Group	5.7%	5.6%	5.4%
Net interest margin	1.5%	1.5%	1.5%

AVERAGE BALANCES AND INTEREST RATES

The following tables show the banking operations, average interest-earning assets and average interest-bearing liabilities, together with average rates, for the periods indicated. The interest income, interest expense and average yield figures do not reflect interest income and expense on derivatives and other interest income and expense not considered to be directly related to interest-bearing assets and liabilities. These items are reflected in the corresponding interest income, interest expense and net interest income figures in the consolidated financial statements. A reconciliation of the interest income, interest expense and net interest income figures to the corresponding line items in the consolidated financial statements is provided hereunder.

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ASSETS

Interest-earning assets

	2017			2016			2015		
	Average balance (EUR millions)	Interest income	Average yield %	Average balance (EUR millions)	Interest income	Average yield %	Average balance (EUR millions)	Interest income	Average yield %
Time deposits with banks									
domestic	16,234	89	0.6	32,058	58	0.2	29,058	51	0.2
foreign	39,807	536	1.4	22,888	323	1.4	26,299	290	1.1
Loans and advances ⁽¹⁾									
domestic	204,229	6,109	3.0	215,528	6,674	3.0	221,511	7,618	3.4
foreign	417,708	12,280	2.9	381,663	11,651	3.1	362,259	11,449	3.2
Interest-earning securities ⁽²⁾									
domestic	28,856	400	1.4	35,842	472	1.3	34,637	537	1.6
foreign	61,035	1,341	2.2	69,780	1,638	2.3	75,100	1,765	2.4
Other interest-earning assets									
domestic	22,526	24	0.1	14,762	31	0.2	8,353	38	0.5
foreign	30,215	75	0.3	20,907	77	0.4	17,194	87	0.5
Total	820,610	20,854	2.5	793,428	20,924	2.6	774,411	21,835	2.8
Non-interest earning assets	34,286			34,612			41,334		
Derivatives assets	33,572			44,818			49,363		
Total assets	888,468			872,858			865,108		
Percentage of assets applicable to foreign operations		67.5%			63.6%			64.5%	
Interest income on derivatives		22,392			22,917			24,312	
other		644			341			174	
Total interest income		43,890			44,182			46,321	

(1) Securities purchased with agreements to resell are reflected in the category loans and advances

(2) Substantially all interest-earning securities held by the banking operations of the Company are taxable securities.

(*) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. The comparable amounts have been adjusted in the ING 2016 Annual Accounts. In this additional information, however, the year-end 2015 cash pool

balances in Loans and advances to customers and Customer deposits are still presented on a net basis in order to provide consistent information to its users.

Table of Contents**LIABILITIES****Interest-bearing liabilities**

	2017			2016			2015		
	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %	Average balance (EUR millions)	Interest expense	Average yield %
Time deposits from banks									
domestic	17,219	25	0.1	13,701	21	0.2	11,391	18	0.1
foreign	15,169	234	1.5	13,066	224	1.7	12,723	252	2.0
Demand deposits ⁽¹⁾									
domestic	59,207	164	0.3	51,119	100	0.2	45,065	88	0.2
foreign	83,878	21	0.0	72,185	26	0.0	63,876	56	0.1
Time deposits ⁽¹⁾									
domestic	26,315	239	0.9	24,624	138	0.6	29,858	86	0.3
foreign	15,766	255	1.6	16,654	208	1.2	18,725	265	1.4
Savings deposits ⁽¹⁾									
domestic	92,818	246	0.3	92,780	531	0.6	90,518	883	1.0
foreign	263,340	1,502	0.6	256,240	1,924	0.8	249,318	2,513	1.0
Short term debt									
domestic	6,958	47	0.7	11,271	54	0.5	15,630	44	0.3
foreign	23,479	260	1.1	23,012	192	0.8	21,535	142	0.7
Long term debt									
domestic	60,915	1,520	2.5	69,253	1,821	2.6	78,557	2,077	2.6
foreign	14,424	435	3.0	14,992	445	3.0	16,917	455	2.7
Subordinated liabilities									
domestic	16,635	395	2.4	16,541	430	2.6	17,398	455	2.6
foreign	150	6	4.1	205	9	4.3	319	15	4.7
Other interest-bearing liabilities									
domestic	16,375	106	0.7	27,140	-87	-0.3	18,673	-10	-0.1
foreign	64,595	756	1.2	43,136	407	0.9	44,107	359	0.8
Total	777,243	6,211	0.8	745,919	6,443	0.9	734,610	7,698	1.1
Non-interest bearing liabilities									
	35,447			38,653			41,186		
Derivatives liabilities	33,297			47,358			52,009		
Total Liabilities	845,987			831,930			827,805		
Group Capital	42,481			40,928			37,303		
Total liabilities and capital	888,468			872,858			865,108		

Percentage of liabilities applicable to foreign operations	62.3%	59.8%	61.3%
Other interest expense:			
interest expenses on derivatives	22,958	23,636	25,241
other	1,074	863	821
Total interest expense	30,243	30,942	33,760
Total net interest result	13,647	13,240	12,561

(1) These captions do not include deposits from banks.

(*) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. The comparable amounts have been adjusted in the ING2016 Annual Accounts. In this additional information, however, the year-end 2015 cash pool balances in Loans and advances to customers and Customer deposits are still presented on a net basis in order to provide consistent information to its users.

Table of Contents**ANALYSIS OF CHANGES IN NET INTEREST INCOME**

The following table allocates changes in the Group's banking operations' interest income and expense and net interest result between changes in average balances and rates for the periods indicated. Changes due to a combination of volume and rate have been allocated to changes in average volume. The net changes in interest income, interest expense and net interest result, as calculated in this table, have been reconciled to the changes in interest income, interest expense and net interest result in the consolidated financial statements. See introduction to 'Average Balances and Interest Rates' for a discussion of the differences between interest income, interest expense and net interest result as calculated in the following table and as set forth in the consolidated financial statements.

	2017 over 2016			2016 over 2015		
	Increase (decrease)			Increase (decrease)		
	due to changes in			due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-earning assets						
Time deposits to banks						
domestic	-29	60	31	5	2	7
foreign	238	-25	213	-38	71	33
Loans and advances						
domestic	-384	-181	-565	-216	-728	-944
foreign	1,114	-485	629	613	-411	202
Interest-earning securities						
Domestic	-92	20	-72	19	-84	-65
foreign	-205	-92	-297	-125	-2	-127
Other interest-earning assets						
domestic	16	-23	-7	29	-36	-7
foreign	34	-36	-2	19	-29	-10
Interest income						
domestic	-489	-124	-613	-163	-846	-1,009
foreign	1,181	-638	543	469	-371	98
Total	692	-762	-70	306	-1,217	-911
Other interest income			-222			-1,229
Total interest income			-292			-2,140

The following table shows the interest spread and net interest margin for the past two years.

	2017	2016
	Average rate	Average rate

	%	%
Interest spread		
Domestic	1.5	1.6
Foreign	1.9	1.8
Total	1.7	1.7
Net interest margin		
Domestic	1.4	1.6
Foreign	2.0	1.9
Total	1.8	1.8

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	2017 over 2016			2016 over 2015		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
	(EUR millions)			(EUR millions)		
Interest-bearing liabilities						
Time deposits from banks						
domestic	6	-2	4	4	-1	3
foreign	36	-26	10	7	-35	-28
Demand deposits						
domestic	16	48	64	12	0	12
foreign	4	-9	-5	7	-37	-30
Time deposits						
domestic	9	92	101	-15	67	52
foreign	-11	58	47	-29	-28	-57
Savings deposits						
domestic		-285	-285	22	-374	-352
foreign	53	-475	-422	70	-659	-589
Short term debt						
domestic	-21	14	-7	-12	22	10
foreign	4	64	68	10	40	50
Long term debt						
domestic	-219	-82	-301	-246	-10	-256
foreign	-17	7	-10	-52	42	-10
Subordinated liabilities						
domestic	2	-37	-35	-21	-4	-25
foreign	-2	-1	-3	-5	-1	-6
Other interest-bearing liabilities						
domestic	35	158	193	-5	-72	-77
foreign	202	147	349	-8	56	48
Interest expense						
domestic	-172	-94	-266	-261	-372	-633
foreign	269	-235	34	0	-622	-622
Total	97	-329	-232	-261	-994	-1,255
Other interest expense			-467			-1,563
Total interest expense			-699			-2,818
Net interest						
domestic	-317	-30	-347	98	-474	-376
Foreign	912	-403	509	469	251	720
Net interest	595	-443	162	567	-223	344
Other net interest result			245			334

Net interest result

407

678

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Table of Contents**INVESTMENTS OF THE GROUP'S BANKING OPERATIONS**

The following table shows the balance sheet value under IFRS-IASB of the investments of the Group's banking operations.

	Year ended 31 December		
	2017	2016	2015
	(EUR millions)		
Debt securities available for sale			
Dutch government	7,053	8,968	9,016
German government	10,682	12,617	13,033
Central banks	1,216	1,253	803
Belgian government	4,892	5,497	6,591
Other governments	19,804	24,010	27,204
Banks and financial institutions	15,356	20,154	20,080
Other corporate debt securities	1,493	1,577	1,512
U.S. Treasury and other U.S. Government agencies	3,034	2,713	2,868
Other debt securities	2,217	2,099	1,459
Total debt securities available for sale	65,747	78,888	82,566
Debt securities held to maturity			
Dutch government	1,087	1,105	1,124
German government	238	0	529
Central Banks	310		
Belgian government	628	912	945
Other governments	2,240	4,671	3,431
Banks and financial institutions	908	1,498	1,219
Other corporate debt securities	209	215	221
U.S. Treasury and other U.S. Government agencies	3,507	0	0
Other debt securities	216	350	357
Total debt securities held to maturity	9,343	8,751	7,826
Shares and convertible debentures	3,983	4,024	4,434
Land and buildings ⁽¹⁾	839	946	1,060
Total	79,912	92,609	95,886

⁽¹⁾ Including commuted ground rents

Banking investment strategy

ING's investment strategy for its investment portfolio related to the banking activities is formulated by the Asset and Liability Committee (ALCO). The exposures of the investments to market rate movements are managed by modifying the asset and liability mix, either directly or through the use of derivative financial products including interest rate

swaps, futures, forwards and purchased option positions such as interest rate caps, floors and collars. See Item 11. Quantitative and Qualitative Disclosure of Market Risk .

Table of Contents**Portfolio maturity description**

	<u>Year ended 31 December</u>				Total
	2017	1 year or less	Between 1 and 5 years	Between 5 and 10 years	
Debt securities available for sale					
Dutch government	36	4,067	2,950	0	7,053
German government	2,049	4,858	3,775	0	10,682
Belgian government	789	2,189	1,914	0	4,892
Central banks	1,216	0	0	0	1,216
Other governments	1,779	9,358	8,286	381	19,804
Banks and financial institutions	1,829	10,278	3,249	0	15,356
Corporate debt securities	235	772	486	0	1,493
U.S. Treasury and other U.S.					
Government agencies	0	125	894	2,015	3,034
Other debt securities	0	205	1,514	496	2,217
Total debt securities available for sale	7,933	31,852	23,070	2,892	65,747
Yield ⁽¹⁾	1.7	2.5	1.8	3.1	

- (1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on a tax-equivalent basis. The average yield on available for sale investments is based on amortised cost.

	<u>Year ended 31 December</u>				Total
	2017	1 year or less	Between 1 and 5 years	Between 5 and 10 years	
Debt securities held to maturity					
Dutch government	0	488	599	0	1,087
German government	51	187	0	0	238
Belgian government	280	348	0	0	628
Central banks	310	0	0	0	310
Other governments	852	1,118	270	0	2,240
Banks and financial institutions	311	497	100	0	908
Corporate debt securities	0	209	0	0	209
U.S. Treasury and other U.S.					
Government agencies	0	0	3,507	0	3,507
Other debt securities	0	128	0	88	216
Total debt securities held to maturity	1,804	2,975	4,476	88	9,343
Yield ⁽¹⁾	3.2	2.5	2.1	0.2	

- (1) Since substantially all investment securities held by the banking operations of the Company are taxable securities, the yields are on a tax-equivalent basis.

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On 31 December 2017, ING Group also held the following securities for the banking operations that exceeded 10 % of shareholders' equity:

	2017	
	Book value	Market value
	(EUR millions)	
German government	15,914	15,918
Dutch government	9,880	9,916
US Treasury and other US governments	8,037	7,999
Polish government	6,916	6,889
Belgian government	5,520	5,524
French government	4,917	4,926

LOAN PORTFOLIO**Loans and advances to banks and customers**

Loans and advances to banks include all receivables from credit institutions, except for cash, current accounts and deposits with other banks (including central banks). Loans and advances to customers includes lending facilities to corporate and private customers encompass among others, loans, overdrafts and finance lease receivables.

The following table sets forth the gross loans and advances to banks and customers as of 31 December 2017, 2016, 2015, 2014 and 2013 under IFRS-IASB.

IFRS-IASB

	Year ended December 31				
	2017	2016	2015	2014	2013
By domestic offices:					
Loans guaranteed by public authorities	26,975	27,746	30,912	27,665	29,132
Loans secured by mortgages	119,514	123,378	124,771	133,352	139,475
Loans to or guaranteed by credit institutions	8,157	10,582	16,343	17,307	11,670
Other private lending	3,162	3,236	5,636	6,635	4,848
Other corporate lending	38,208	39,669	197,069	217,070	43,907
Total domestic offices	196,016	204,611	374,731	402,029	229,032
By foreign offices:					
Loans guaranteed by public authorities	19,397	18,634	18,214	18,894	15,119
Loans secured by mortgages	204,451	195,328	179,938	161,007	154,339
Loans to or guaranteed by credit institutions	22,641	19,427	17,688	25,508	33,378
Other private lending	20,074	18,723	17,041	16,096	15,328
Asset backed securities excluding MBS	2,209	3,380	4,937	5,318	6,336
Other corporate lending	140,455	134,092	119,161	111,347	99,865
Total foreign offices	409,227	389,585	356,979	338,170	324,365

Total gross loans and advances to banks and customers	605,243	594,196	731,710	740,199	553,397
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(*) ING has changed its accounting policy for the netting of cash pooling arrangements in the second quarter of 2016. In accordance with IFRS, the comparable amounts must be adjusted. The comparable amounts have been adjusted in the table above for 2015 and 2014 (but not earlier years).

Table of Contents**Maturities and sensitivity of loans to changes in interest rates**

The following table analyzes loans and advances to banks and customers by time remaining until maturity as of 31 December 2017.

	1 year or less	1 year to 5 years	After 5 years	Total
	(EUR millions)			
By domestic offices:				
Loans guaranteed by public authorities	3,633	2,215	21,127	26,975
Loans secured by mortgages	8,040	17,106	94,368	119,514
Loans guaranteed by credit institutions	6,223	1,550	384	8,157
Other private lending	1,792	668	702	3,162
Other corporate lending	22,040	11,931	4,237	38,208
Total domestic offices	41,728	33,470	120,818	196,016
By foreign offices:				
Loans guaranteed by public authorities	6,058	6,391	6,948	19,397
Loans secured by mortgages	18,489	53,872	132,090	204,451
Loans guaranteed by credit institutions	18,316	3,268	1,057	22,641
Other private lending	7,139	10,178	2,757	20,074
Asset backed securities excluding MBS	0	13	2,196	2,209
Other corporate lending	55,658	62,496	22,301	140,455
Total foreign offices	105,660	136,218	167,349	409,227
Total gross loans and advances to banks and customers	147,388	169,688	288,167	605,243

The following table analyzes loans and advances to banks and customers by interest rate sensitivity by maturity as of 31 December 2017.

	1 Year or less	Over 1 Year	Total
Non-interest earning	6,195	1,704	7,899
Fixed interest rates	67,149	80,654	147,803
Floating or adjustable interest rates ⁽¹⁾	74,043	375,498	449,541
Total	147,387	457,853	605,243

(1) Loans that have an interest rate that remains fixed for more than one year and which can then be changed are classified as adjustable interest rates

Loan concentration

The following industry concentrations were in excess of 10% of total loans as of 31 December, 2017:

	Total outstanding
Private Individuals	40.1%

Table of Contents**Risk elements*****Loans Past Due 90 days and Still Accruing Interest***

Loans past due 90 days and still accruing interest are loans that are contractually past due 90 days or more as to principal or interest on which we continue to recognize interest income on an accrual basis in accordance with IFRS-IASB. Once a loan has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The following table sets forth the gross balance of the loans past due 90 days and still accruing interest and non-accrual loans for the years ended 31 December 2017, 2016, 2015, 2014 and 2013 under IFRS-IASB.

IFRS-IASB	Year ended 31 December (EUR millions)				
	2017	2016	2015	2014	2013
Domestic	4,343	5,292	7,523	8,714	8,088
Foreign	3,861	3,338	4,055	5,528	4,767
Total loans past due 90 days and still accruing interest	8,024	8,630	11,578	14,242	12,855

As of 31 December 2017, EUR 8,024 million of the loans past due 90 days and still accruing interest have a loan loss provision. The total loans classified as non performing, including those loans classified as past due 90 days and still accruing interest, amounts EUR 12,481 million as of 31 December 2017.

For information on credit restructuring reference is made to Note 2.2.1 Risk Management to the consolidated financial statements.

Troubled Debt Restructurings

Troubled debt restructurings are loans that we have restructured due to deterioration in the borrower's financial position and in relation to which, for economic or legal reasons related to the borrower's deteriorated financial position, we have granted a concession to the borrower that we would not have otherwise granted.

The following table sets forth the gross outstanding balances of the troubled debt restructurings as of December 31 2017, 2016, 2015, 2014 and 2013 under IFRS-IASB.

IFRS-IASB	Year ended 31 December (EUR millions)				
	2017	2016	2015	2014	2013
Troubled debt restructurings:					
Domestic	675	325	86	112	813
Foreign	330	277	376	304	742
Total troubled debt restructurings	1,005	602	462	416	1,555

Table of Contents***Relationship Between Forbearance and Troubled Debt Restructurings (TDR)***

Both forbearance and TDR refer to a situation in which a debtor is facing financial difficulties and the creditor grants concessions in respect of the terms of the loans, but the application of the respective guidance, specifically the entry criteria under both standards, results in differences between the total amount of reported forbore loans and the amount of forbore loans which are considered TDR.

This difference is due to ING's determination of forbearance being based on the criteria in the European Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013 (the EU Standard), while ING's determination of Troubled Debt Restructurings (TDR) is based on FASB codification (ASC) 310-40 Troubled Debt Restructurings by Creditors (the TDR Standard).

Under the EU Standard, all concessions that ING makes in respect of a loan given to a debtor in financial difficulty will result in a loan being considered forbore, including modification of payment terms (such as interest deferrals or extensions of maturity) as well as concessions that do not have any impact on cash flows, such as when ING waives covenant or other non-payment-related loan terms. As a result, the Total Forborne Loans in the table below represents all loans where ING has made borrower concessions, regardless of the impact of such concessions on the timing or likelihood of repayment.

Under the TDR Standard, however, loans may only be classified as TDR if the creditor has granted a concession and as a result of such concession does not expect to collect all amounts due, including both interest and principal. For these purposes, the TDR Standard also provides that concessions that result in a delay in payment that is only considered insignificant will not result in the loan being considered TDR. This means that the loans reported by ING as TDR will not include loans for which covenant or other non-payment terms have been modified, as well as loans for which payment-related concessions would, in ING's judgment, result in only insignificant delays in repayment. Examples of concessions which result in only insignificant delays in payment would include temporary payment holidays for retail mortgage clients, or standstill arrangements with corporate borrowers. As ING will ordinarily receive compensation in connection with such concessions (generally through additional interest income), these concessions would typically result in a delay in payment that we would consider to be insignificant taking into account the remaining duration of the loan. Debt forgiveness, either through principal or interest reductions, is generally not granted as a concession by ING, but to the extent granted would result in the loan being classified as TDR.

As a result of the application of these two standards, ING reports a significantly larger amount of loans in the forbore category than in the TDR category. The following table sets forth total forbore loans and loans that are TDR as of December 31, 2017, as well as a reconciliation indicating the categories of forbore loans under the EU Standard which do not meet the criteria of the TDR Standard.

The following table sets forth total forbore loans and loans that are TDR as of December 31, 2017, as well as a reconciliation indicating the categories of forbore loans under the EU Standard which do not meet the criteria of the TDR Standard.

(EUR millions)	2017
Total Forborne Loans (EU Standard)	11,819

Wholesale Banking: differences in entry criteria

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Concessions not reducing cash flows (e.g., covenant waiver)	-2,359
Concessions that do not result in significant delay of payment	-2,817
Retail Banking: differences in entry criteria	
Concessions that do not result in significant delay of payment	-5,317
Other	-321
Total Loans that are Troubled Debt Restructurings (TDR Standard)	1,005

Table of Contents***Interest Income on Troubled Debt Restructurings***

The following table sets forth the gross interest income that would have been recorded during the year ended 31 December 2017 on troubled debt restructurings had such loans been current in accordance with their original contractual terms and interest income on such loans that was actually included in interest income during the year ended 31 December 2017.

	Year ended 31 December 2017		
	(EUR millions)		
	Domestic Offices	Foreign Offices	Total
Interest income that would have been recognized under the original contractual terms	18	15	33
Interest income recognized in the profit and loss account	10	6	16

Potential Problem Loans

Potential problem loans are loans that are not classified as loans past due 90 days and still accruing interest or troubled debt restructurings and amounted to EUR 5,921 million as of 31 December 2017. Of this total, EUR 2,211 million relates to domestic loans and EUR 3,710 million relates to foreign loans. These loans are considered potential problem loans as there is known information about possible credit problems causing us to have serious doubts as to the ability of the borrower to comply with the present loan repayment terms and which may result in classifying the loans as loans past due 90 days and still accruing interest or as troubled debt restructurings. Appropriate provisions, following ING Group's credit risk rating system, have been established for these loans.

Table of Contents**Cross-border outstandings**

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-earning deposits with other banks, other interest-earning investments and any other monetary assets that are denominated in euro or other non-local currency. To the extent that material local currency outstandings are not hedged or are not funded by local currency borrowings, such amounts are included in cross-border outstandings.

Commitments such as irrevocable letters of credit are not considered as cross border outstanding. Total outstandings are in line with Dutch Central Bank requirements. On 31 December 2017, there were no outstandings exceeding 1% of total assets in any country where current conditions give rise to liquidity problems which are expected to have a material impact on the timely repayment of interest or principal.

The following tables analyze cross-border outstandings as of the end of 31 December 2017, 2016 and 2015 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 1% of total assets, by the following categories.

Year ended 31 December 2017

	Banks & Government & other		Commercial & Industrial		Total	Cross-border Commitments
	official institutions	financial Institutions	industrial	Other		
	(EUR millions)					
United States	6,665	7,165	65,444	2,727	82,001	82,001
France	2,564	24,353	15,333	1,230	43,479	43,479
United Kingdom	1,263	13,493	14,373	2,574	31,702	31,702
Switzerland	04	7,594	10,800	2,700	21,098	21,098
Ireland	0	574	19,686	161	20,421	20,421
Germany	4,404	5,873	3,897	3,267	17,441	17,441
Belgium	439	2,612	12,496	812	16,359	16,359
China	85	7,849	2,248	5,490	15,671	15,671
Singapore	0	1,601	9,175	550	11,326	11,326
Luxembourg	508	2,151	6,910	1,598	11,167	11,167
Turkey	1,274	3,710	5,312	234	10,530	10,530
Hong Kong	0	4,512	4,134	575	9,221	9,221

Year ended 31 December 2016

	Banks & Government & other		Commercial & Industrial		Total	Cross-border Commitments
	official institutions	financial Institutions	industrial	Other		
	(EUR millions)					
United States	3,962	7,871	12,665	2,309	26,808	17,624
France	6,110	11,823	3,081	1,028	22,042	7,585
United Kingdom	812	10,498	6,892	1,497	19,700	6,263
Germany	6,249	3,096	2,151	4,297	15,793	12,540

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China	1,149	6,226	1,562	4,892	13,829	464
Turkey	1,653	3,272	6,760	468	12,152	1,401
Belgium	1,252	3,379	4,467	938	10,035	11,743
Luxembourg	195	1,574	5,817	1,435	9,022	2,744
Switzerland	177	770	5,807	2,094	8,848	2,432

Table of Contents**Year ended 31 December 2015**

	Banks &		Commercial		Total	Cross-border Commitments
	Government & official institutions	other financial Institutions	& industrial	Other		
	(EUR millions)					
United Kingdom	3,524	10,220	4,434	1,153	19,331	6,768
United States	2,895	7,239	7,361	1,610	19,105	16,530
France	7,875	11,505	2,504	1,186	23,070	7,380
Germany	5,307	3,172	2,040	3,145	13,664	10,215
China	612	6,443	1,975	3,372	12,403	386
Turkey	1,873	3,564	5,329	1,202	11,968	1,627
Belgium	1,618	2,532	4,055	1,961	10,166	14,582
Switzerland	1,435	230	3,753	3,641	9,059	2,292
Canada	539	6,082	1,386	452	8,459	739

The following table Discloses cross-border outstanding s as of the end of 31 December 2017, 2016 and 2015 stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings are between 0.75 percent and 1.0 percent of total assets.

	Year ended 2017 (EUR millions)
Japan	8,332
Canada	6,116
Cayman Island	6,062

	Year ended 2016 (EUR millions)
Singapore	7,908
Hong Kong	6,716
Canada	6,679
Japan	6,472

	Year ended 2015 (EUR millions)
Luxembourg	6,611
Cayman Island	6,437
Spain	6,291

Table of Contents**Summary of Loan Loss Experience**

For further explanation on loan loss provision reference is made to Note 6 Loans and advances to customers in Note 2.1 to the consolidated financial statements.

The application of the IFRS-IASB methodology has reduced the amount of the unallocated provision for loan losses that ING Group provided in prior years to adequately capture various subjective and judgmental aspects of the credit risk assessment which were not considered on an individual basis.

The following table presents the movements in allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2017, 2016, 2015, 2014 and 2013 under IFRS-IASB.

IFRS-IASB	Calendar period				
	2017	2016	2015	2014	2013
	(EUR millions)				
Balance on 1 January	5,308	5,786	5,995	6,154	5,505
Change in the composition of the Group	0	0	0	-170	-20
Charge-offs:					
Domestic:					
Loans guaranteed by public authorities	0	-207	0	0	0
Loans secured by mortgages	-231	-323	-436	-435	-301
Loans to or guaranteed by credit institutions	-5			-12	-5
Other private lending	-48	-93	-121	-50	-34
Other corporate lending	-409	-234	-447	-483	-569
Foreign:					
Loans guaranteed by public authorities	0	0	0	0	0
Loans secured by mortgages	-66	-129	-154	-90	-54
Loans to or guaranteed by credit institutions	0				-3
Other private lending	-188	-233	-303	-124	-167
Other corporate lending	-331	-275	-257	-535	-476
Total charge-offs	-1,278	-1,494	-1,718	-1,729	-1,609
Recoveries:					
Domestic:					
Loans guaranteed by public authorities	0	0	0	0	0
Loans secured by mortgages	24	14	23	36	34
Loans to or guaranteed by credit institutions	0	0	0	0	0
Other private lending	15	15	16	13	7
Other corporate lending	19	6	-5	9	22
Foreign:					
Loans guaranteed by public authorities	0	0	0	0	0
Loans secured by mortgages	3	3	4	6	4
Loans to or guaranteed by credit institutions	0	0	0	0	0
Other private lending	7	8	37	31	31
Other corporate lending	-8	48	16	9	18

Total recoveries	60	94	91	104	116
Net charge-offs	-1,218	-1,400	-1,627	-1,625	-1,493
Additions and other adjustments (included in value Adjustments to receivables of the Banking operations)	538	922	1,418	1,636	2,162
Balance on 31 December	4,628	5,308	5,786	5,995	6,154

Ratio of net charge-offs to average loans and advances
to banks and customers

0.20% 0.23% 0.28% 0.29% 0.26%

Additions to the provision for loan losses presented in the table above were influenced by developments in general economic conditions as well as certain individual exposures.

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The following table shows the allocation of the provision for loan losses on loans accounted for as loans and advances to banks and customers for 2017, 2016, 2015, 2014 and 2013 under IFRS-IASB.

IFRS-IASB	Year ended December 31									
	2017		2016		2015		2014		2013	
	EUR	% ⁽¹⁾	EUR	% ⁽¹⁾	EUR	% ⁽¹⁾	EUR	% ⁽¹⁾	EUR	% ⁽¹⁾
	(EUR millions)									
Domestic:										
Loans guaranteed by public authorities	0	4	0	5	0	5	0	5	0	5
Loans secured by mortgages	347	20	550	21	819	22	1,069	24	1,265	25
Loans to or guaranteed by credit institutions	2	1	2	2	0	2	0	2	0	2
Other private lending	118	1	122	1	177	1	169	1	139	1
Other corporate lending	1,268	6	1,738	6	1,904	7	1,820	7	1,566	8
Total domestic	1,735	32	2,412	34	2,900	37	3,058	39	2,970	42
Foreign:										
Loans guaranteed by public authorities	3	3	7	3	2	3	2	3	2	3
Loans secured by mortgages	526	34	638	32	717	30	793	27	631	27
Loans to or guaranteed by credit institutions	7	4	12	3	15	3	8	5	21	6
Other private lending	746	3	620	3	712	3	701	4	672	4
Mortgage backed securities	9	0	2	1	2	1	2	1	142	1
Other corporate lending	1,602	23	1,617	23	1,438	22	1,431	21	1,716	18
Total foreign	2,893	67	2,896	66	2,886	63	2,937	61	3,184	59
Total	4,628	100	5,308	100	5,786	100	5,995	100	6,154	100

(1) The percentages represent the loans in each category as a percentage of the total loan portfolio for loans and advances to banks and customers.

Table of Contents**DEPOSITS**

For information on deposits reference is made to Note 11 Deposits from banks and Note 12 Customer deposits of Note 2.1 to the consolidated financial statements.

On 31 December 2017, the maturity of domestic time certificates of deposit and other time deposits, exceeding EUR 20,000 was

	Time certificates of deposit (EUR millions)		Other time deposits (EUR millions)	
		%		%
3 months or less	795	70.5	8,437	59.4
6 months or less but over 3 months	307	27.2	3,325	23.4
12 months or less but over 6 months	25	2.2	994	7.0
Over 12 months	0	0.0	1,455	10.2
Total	1,127		14,211	

The following table shows the amount outstanding for time certificates of deposit and other time deposits exceeding EUR 20,000 issued by foreign offices on December 31 2017.

	(EUR millions)
Time certificates of deposit	8,250
Other time deposits	32,672
Total	40,922

Short-term Borrowings

Short-term borrowings are borrowings with an original maturity of one year or less. Commercial paper and securities sold under repurchase agreements are the only significant categories of short-term borrowings within our banking operations.

The following table sets forth certain information relating to the categories of our short-term borrowings.

IFRS-IASB

	Year ended 31 December		
	2017	2016	2015
	(EUR millions, except % data)		
Commercial paper:			
Balance at the end of the year	20,506	13,920	11,361
Monthly average balance outstanding during the year	17,600	17,089	14,124
Maximum balance outstanding at any period end during the year	20,748	24,205	16,585
Weighted average interest rate during the year	1.19%	0.73%	0.30%

Weighted average interest rate on balance at the end of the year	1.02%	0.89%	0.37%
Securities sold under repurchase agreements:			
Balance at the end of the year	41,672	37,613	39,920
Monthly average balance outstanding during the year	65,465	56,803	47,802
Maximum balance outstanding at any period end during the year	89,225	68,527	55,212
Weighted average interest rate during the year	0.98%	0.23%	0.25%
Weighted average interest rate on balance at the end of the year	1.54%	0.35%	0.30%

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Report of independent registered
public accounting firm

To: the Shareholders and the Supervisory Board

ING Groep N.V.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of ING Groep N.V. and subsidiaries (the Company) as of 31 December 2017 and 2016, the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of 31 December 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated 5 March 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG Accountants N.V.

We have served as the Company's auditor since 2016.

Amstelveen, the Netherlands

5 March 2018

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Report of independent registered
public accounting firm - continued

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

We have audited the accompanying consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity of ING Groep N.V. and subsidiaries for the year ended 31 December 2015. 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, present fairly, in all material respects, the consolidated results of the operations and cash flows of ING Groep N.V. and subsidiaries for the year ended 31 December 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/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	2017	2016
Assets		
Cash and balances with central banks 2	21,989	18,144
Loans and advances to banks 3	28,811	28,858
Financial assets at fair value through profit or loss 4		
trading assets	116,748	114,504
non-trading derivatives	2,231	2,490
designated as at fair value through profit or loss	4,242	5,099
Investments 5		
available-for-sale	69,730	82,912
held-to-maturity	9,343	8,751
Loans and advances to customers 6	571,909	560,154
Investments in associates and joint ventures 7	1,088	1,141
Property and equipment 8	1,801	2,002
Intangible assets 9	1,469	1,484
Current tax assets	324	314
Deferred tax assets 36	1,106	1,641
Other assets 10	13,087	14,722
Total assets	843,878	842,216
Liabilities		
Deposits from banks 11	36,821	31,964
Customer deposits 12	539,828	522,908
Financial liabilities at fair value through profit or loss 13		
trading liabilities	73,596	83,167
non-trading derivatives	2,331	3,541
designated as at fair value through profit or loss	11,215	12,266
Current tax liabilities	750	546
Deferred tax liabilities 36	362	624
Provisions 14	1,713	2,028
Other liabilities 15	16,064	16,852
Debt securities in issue 16	96,086	103,234
Subordinated loans 17	15,968	17,223
Total liabilities	794,734	794,353
Equity 18		
Share capital and share premium	17,045	16,989
Other reserves	4,362	5,897

Retained earnings	27,022	24,371
Shareholders' equity (parent)	48,429	47,257
Non-controlling interests	715	606
Total equity	49,144	47,863
Total liabilities and equity	843,878	842,216

References relate to the accompanying notes. These form an integral part of the Consolidated financial statements.

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Consolidated statement of profit or loss

for the years ended 31 December

in EUR million	2017	2017	2016	2016	2015	2015
Continuing operations						
Interest income	43,890		44,182		46,321	
Interest expense	30,243		30,941		33,760	
Net interest income 19		13,647		13,241		12,561
Commission income	3,865		3,581		3,411	
Commission expense	1,155		1,148		1,093	
Net commission income 20		2,710		2,433		2,318
Valuation results and net trading income 21		1,512		1,545		2,445
Investment income 22		192		421		123
Share of result from associates and joint ventures 7		178		88		492
Result on disposal of group companies 23		1		1		2
Other income 24		350		173		66
Total income		18,590		17,902		18,007
Addition to loan loss provisions 6		676		974		1,347
Staff expenses 25		5,202		5,039		4,972
Other operating expenses 26		4,627		5,575		4,354
Total expenses		10,505		11,588		10,673
Result before tax from continuing operations		8,085		6,314		7,334
Taxation 36		2,539		1,705		1,924
Net result from continuing operations		5,546		4,609		5,410
Discontinued operations 27						
Net result from discontinued operations						800
Net result from classification as discontinued operations						3
Net result from disposal of discontinued operations				441		879
Total net result from discontinued operations				441		76
Net result (before non-controlling interests)		5,546		5,050		5,334
Net result attributable to Non-controlling interests		82		75		408
Net result attributable to Equityholders of the parent		5,464		4,975		4,926

References relate to the accompanying notes. These form an integral part of the Consolidated financial statements.

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Consolidated statement of profit or loss - continued

in EUR million	2017	2016	2015
Net result attributable to Non-controlling interests			
from continuing operations	82	75	69
from discontinued operations			339
	82	75	408
Net result attributable to Equityholders of the parent			
from continuing operations	5,464	4,534	5,341
from discontinued operations		441	415
	5,464	4,975	4,926
in EUR	2017	2016	2015
Earnings per ordinary share 28			
Basic earnings per ordinary share	1.41	1.28	1.28
Diluted earnings per ordinary share	1.41	1.28	1.27
Earnings per ordinary share from continuing operations 28			
Basic earnings per ordinary share from continuing operations	1.41	1.17	1.39
Diluted earnings per ordinary share from continuing operations	1.41	1.17	1.38
Dividend per ordinary share 29	0.67	0.66	0.65

References relate to the accompanying notes. These form an integral part of the Consolidated financial statements.

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Consolidated statement of comprehensive income

for the years ended 31 December

in EUR million	2017	2016	2015
Net result (before non-controlling interests)	5,546	5,050	5,334
Other comprehensive income			
Items that will not be reclassified to the statement of profit or loss:			
Realised and unrealised revaluations property in own use	26	5	35
Remeasurement of the net defined benefit asset/liability 35	29	65	24
Items that may subsequently be reclassified to the statement of profit or loss:			
Unrealised revaluations available-for-sale investments and other revaluations	283	61	414
Realised gains/losses transferred to the statement of profit or loss	92	146	92
Changes in cash flow hedge reserve	525	77	724
Transfer to insurance liabilities/DAC			601
Exchange rate differences	864	254	1,697
Share of other comprehensive income of associates and joint ventures and other income	5	14	5
Total comprehensive income	3,774	4,714	6,456
Comprehensive income attributable to:			
Non-controlling interests	109		534
Equityholders of the parent	3,665	4,714	5,922
	3,774	4,714	6,456

References relate to the accompanying notes. These form an integral part of the Consolidated financial statements.

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	Share-holders equity (parent)	Non-controlling interests	Total equity
Balance as at 1 January 2017	16,989	5,897	24,371	47,257	606	47,863
Unrealised revaluations available-for-sale investments and other revaluations		293		293	10	283
Realised gains/losses transferred to the statement of profit or loss		90		90	2	92
Changes in cash flow hedge reserve		514		514	11	525
Realised and unrealised revaluations property in own use			26	26		26
Remeasurement of the net defined benefit asset/liability 35		29		29		29
Exchange rate differences		894		894	30	864
Share of other comprehensive income of associates and joint ventures and other income		138	143	5		5
Total amount recognised directly in other comprehensive income		1,682	117	1,799	27	1,772
Net result from continuing and discontinued operations		153	5,311	5,464	82	5,546
Total comprehensive income		1,529	5,194	3,665	109	3,774
Dividends 29			2,564	2,564		2,564
Changes in treasury shares		6		6		6
Employee stock option and share plans	56		21	77		77
Balance as at 31 December 2017	17,045	4,362	27,022	48,429	715	49,144

References relate to the accompanying notes. These form an integral part of the Consolidated financial statements.

Changes in individual Reserve components are presented in Note 18 Equity .

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Consolidated statement of changes in equity - continued

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Share-holders equity (parent)	Non- controlling interests	Total equity
Balance as at 1 January 2016	16,982	5,759	22,231	44,972	638	45,610
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 29			2,521	2,521	32	2,553
Changes in treasury shares		10		10		10
Employee stock option and share plans	7		75	82		82
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 financial statements.

Changes in individual Reserve components are presented in Note 18 Equity .

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Consolidated statement of changes in equity - continued

in EUR million	Share capital and share premium	Other reserves	Retained earnings	Share-holders equity (parent)	Non- controlling interests	Total equity
Balance as at 1 January 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 29			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

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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 financial statements.

Changes in individual reserve components are presented in Note 18 Equity .

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Consolidated statement of cash flows

for the years ended 31 December

in EUR million		2017	2016	2015
Cash flows from operating activities				
Result before tax¹		8,085	6,753	7,403
Adjusted for:	depreciation and amortisation	520	536	634
	change in provisions for insurance and investment contracts			1,499
	addition to loan loss provisions	676	974	1,347
	other	703	1,084	1,310
Taxation paid		1,691	1,603	1,450
Changes in:	loans and advances to banks, not available on demand	3,126	1,162	6,766
	trading assets	1,612	16,956	5,458
	non-trading derivatives	2,239	1,812	303
	other financial assets at fair value through profit or loss	441	3,401	256
	loans and advances to customers	21,390	29,656	23,030
	other assets	430	915	549
	deposits from banks, not payable on demand	6,320	342	5,179
	customer deposits	18,291	23,493	17,970
	trading liabilities	9,575	5,634	8,276
	other financial liabilities at fair value through profit or loss			
	loss	565	432	1,582
	provisions and other liabilities	339	90	2,977
Net cash flow from/(used in) operating activities		5,253	8,553	10,577
Cash flows from investing activities				
Investments and advances:	associates and joint ventures	79	49	40
	available-for-sale investments	21,601	27,003	47,858
	held-to-maturity investments	3,609	1,731	3,457
	property and equipment	264	351	353
	assets subject to operating leases	40	64	37
	investments for risk of policyholders			2,417
	other investments	264	288	648
Disposals and redemptions:	group companies (including cash in company disposed ²)			6,926
	associates and joint ventures ³	245	1,071	1,175
	available-for-sale investments ⁴	32,788	32,540	52,675
	held-to-maturity investments	2,675	630	1,219
	property and equipment	65	63	74
	assets subject to operating leases	14	12	17
	investments for risk of policyholders			7,566

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loans	1,815	1,295	3,201
other investments	9	9	5
Net cash flow from/(used in) investing activities 30	11,754	6,134	4,196

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Consolidated statement of changes in equity - continued

in EUR million	2017	2016	2015
Net cash flow from/(used in) operating activities	5,253	8,553	10,577
Net cash flow from/(used in) investing activities 30	11,754	6,134	4,196
Cash flows from financing activities			
Proceeds from debt securities 31	95,458	106,174	139,424
Repayments of debt securities 31	96,837	123,748	147,337
Proceeds from issuance of subordinated loans 31	2,331	2,070	3,159
Repayments of subordinated loans ⁵ 31	2,343	1,042	6,092
Purchase/sale of treasury shares	7	10	34
Proceeds from NN Group divestments and related transactions			1,040
Dividends paid	2,564	2,521	1,393
Net cash flow from/(used in) financing activities	3,948	19,057	11,165
Net cash flow	2,553	4,370	3,608
Cash and cash equivalents at beginning of year	16,164	20,379	17,113
Effect of exchange rate changes on cash and cash equivalents	260	155	342
Cash and cash equivalents at end of year 32	18,977	16,164	20,379

¹ Result before tax includes results from continuing operations of EUR 8,085 million (2016: EUR 6,314 million; 2015: EUR 7,334 million) as well as results before tax from discontinued operations of nil (2016: EUR 439 million; 2015: EUR 69 million).

² 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.

³ Disposals and redemptions associates and joint ventures includes (2016: 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).

⁴ In 2016, 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.

⁵ In 2016, Repayment of subordinated loans includes 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.

As at 31 December 2017, Cash and cash equivalents includes cash and balances with central banks of EUR 21,989 million (2016: EUR 18,144 million; 2015: EUR 21,458 million). The increase in cash and balances with central banks reflects ING's liquidity management. Reference is made to Note 32 Cash and cash equivalents.

Comparison of the Consolidated statements of cash flow between 2017, 2016, 2015 is impacted by NN Group. Included in the 2015 statement of cash flow is the NN Group cash flows for five months until deconsolidation at the end of May 2015.

References relate to the accompanying notes. These form an integral part of the Consolidated financial statements.

Interest and dividend received and paid¹

	2017	2016	2015
Interest received	45,014	44,814	47,055
Interest paid	31,032	31,703	34,238
	13,982	13,111	12,817
Dividend received ²	206	208	137
Dividend paid	2,564	2,521	1,393

¹ All interest and dividend paid and received from trading positions are included. 2016 and 2015 interest and dividend received have been restated to align to current year presentation.

² Includes dividends received as recognized within Investment Income, from equity securities included in the Financial assets at fair value through profit or loss, and from Investments in associates and joint ventures.

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

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Notes to the Consolidated financial statements

2.1. Notes to the Consolidated financial statements

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 financial statements, as at and for the year ended 31 December 2017, 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 financial statements

The ING Group Consolidated financial statements, for the year ended 31 December 2017, were authorised for issue in accordance with a resolution of the Executive Board on 5 March 2018. The Executive Board may decide to amend the financial statements as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may not amend these.

Basis of preparation of the Consolidated financial statements

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 Significant judgements and critical accounting estimates and assumptions .

The ING Group Consolidated financial statements have been prepared on a going concern basis.

1 Accounting policies

ING Group has consistently applied its accounting policies to all periods presented in these Consolidated financial statements.

a) Changes in accounting policies in 2017

ING Group has applied a number of amendments to standards for the first time during the year ended 31 December 2017. The implementation of these changes had an insignificant impact on the consolidated financial position, net result, other comprehensive income, cash flows, and related disclosures of ING Group. The amendment to IAS 7 now requires a disclosure of changes in liabilities arising from financing activities, reference is made to Note 31 Changes in liabilities arising from financing activities . ING Group has not early adopted any other standard, interpretation or amendment which has been issued, but is not yet effective.

b) Upcoming changes in IFRS after 2017

Changes to IFRS effective in 2018 and onwards expected to have no significant impact on ING Group

The following published amendments are not mandatory for 2017 and have not been early adopted by the group. ING Group is still currently assessing the detailed impact of these amendments, however the implementation of these amendments is expected to have no significant impact on ING Group's consolidated financial statements.

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

Effective in 2018:

Amendments to IFRS 2 Share-based Payment : Classification and Measurement of Share-based payment transactions

Amendments to IAS 40 Investment Property : Transfers of Investment Property;

Annual improvements cycle 2014 - 2016: Amendments to IAS 28 Investments in Associates and Joint Ventures ; and

IFRIC 22 Foreign Currency Transactions and Advance Consideration .

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Notes to the Consolidated financial statements - continued

Effective in 2019:

IFRIC 23 Uncertainty over Income Tax Treatments ;

Amendments to IAS 28: Investments in Associates and Joint Ventures : Long-term Interests in Associates and Joint Ventures;

Annual improvements cycle 2015 – 2017: Amendments to IFRS 3 Business Combinations , IFRS 11 Joint Arrangements , IAS 12 Income Taxes , IAS 23 Borrowing Costs ; and

Amendments to IAS 19: Employee Benefits : Plan Amendment, Curtailment or Settlement
IASB has also issued IFRS 17 Insurance Contracts effective in 2021, however it is not applicable for ING Group.

Major new IFRSs

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and endorsed by the EU in November 2016. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. The new requirements are effective for annual periods beginning on or after 1 January 2018 and will be applied by ING Group as of 1 January 2018. ING Group applies the classification, measurement, and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, and has decided not to restate comparative periods and not to early apply the changed own credit risk requirements, as permitted by IFRS 9. In October 2017, the IASB issued an amendment to IFRS 9 with regard to prepayment features with negative compensation. This change allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortised cost or at fair value through other comprehensive income. The amendment will be effective for annual period beginning or after 1 January 2019. If the amendment is endorsed by the EU, ING will early adopt the amendment to IFRS 9 as of 1 January 2018 as permitted. Based on the assessments carried out, ING Group does not expect that this change will have an impact.

ING decided to continue applying IAS 39 for hedge accounting as explicitly permitted by IFRS 9. The revised hedge accounting disclosures as required by IFRS 7 Financial Instruments: Disclosures as per 1 January 2018 will be implemented across ING Group.

IFRS 9 program governance and status

The IFRS 9 program was initiated in 2015 and was set-up based on the three pillars of the IFRS 9 standard: Classification and Measurement, Impairment, and Hedge Accounting. These central work streams consisted of experts from Finance, Risk, Bank Treasury, Operations and the Business. The IFRS 9 Technical Board consisted 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 was the key decision making body and consists of senior managers from Finance, Risk, Bank Treasury and Wholesale Banking Lending Services. The Management Board Banking and the Audit Committee were periodically updated about IFRS 9 and the key decisions.

In 2017 the program's focus was on:

Performing three parallel runs to test readiness of systems, processes and a number of controls for transition to IFRS 9 as per 1 January 2018;

Developing and validating of the new expected credit loss models;

Developing and implementing processes for staging and using forward looking economic guidance in the Expected Credit Losses models;

Finalising technical interpretation of the IFRS 9 standard;

Finalising the business model assessment and solely payments of principal and interest testing for Classification and Measurement purposes;

Implementing and testing system changes;

Updating the policies, governance and control frameworks that are impacted by IFRS 9 and starting to embed these changes into everyday business and financial reporting cycles;

Preparing the IFRS 9 transition disclosure plan.

During 2017, the IFRS 9 program was subject to reviews by supervisors and audits by ING's internal audit department.

ING has almost completed the implementation of IFRS 9. The main procedures that are in the process of being finalised are the transfer of program activities, further embedding internal controls in the processes and the last model validations.

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 (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL):

1. The business model assessment, performed to determine how a portfolio of financial instruments as a whole is managed in order to classify the business model as Hold to Collect (HtC), Hold to Collect & Sell (HtC&S), or other; and

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Notes to the Consolidated financial statements - continued

2. The contractual cash flow characteristics test, performed to determine whether the financial instruments give rise to cash flows that are Solely Payments of Principal and Interest (SPPI). Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risk and costs as well as margin.

A financial asset is measured at AC if it is held within a HtC business model, the contractual cash flows are solely SPPI and if it is not designated as at FVPL. A financial asset is measured at FVOCI if it is held within a HtC&S business model, the contractual cash flows are solely SPPI and if it is not designated as at FVPL. Financial assets not classified as AC or FVOCI are measured at FVPL.

ING's business models are based on the existing management structure of the bank, and refined based on an analysis of how businesses are evaluated and reported, how their specific business risks are managed and on historic and expected future sales. The SPPI testing was carried out on a sample basis conducted after the financial assets within the business models were stratified based on an analysis of product characteristics. In performing the SPPI testing, ING considered the contractual terms of the instruments. This included assessing whether the financial assets contained a contractual term that would change the amount or timing of contractual cash flows such that they would no longer be SPPI compliant. In making the assessment, terms such as the following were considered:

Prepayment terms. For example a prepayment of an outstanding principal amount plus a penalty capped to three or six months of interest;

Leverage features, which increase the variability of the contractual cash flows with the result that they do not have the economic characteristics of interest; An example is a Libor contract with a multiplier of 1.3;

Terms that limit the groups claim to cash flows from specified assets e.g. non-recourse asset arrangements; This could be the case if payments of principal and interest are met solely by the cash flows generated by the underlying asset, for example in real estate, shipping and aviation financing;

Features that modify consideration for the time value of money. These are contracts with for example an interest rate which is reset every month to a one-year rate.

A number of key accounting policy choices were required for the Classification and Measurement of ING's financial assets, such as the level of permissible sales in a HtC business model, the FVOCI option for equity investments and accounting prepayments. The decision making process for such policy choices followed the IFRS 9 programme governance, with technical matters researched, decisions documented, and conclusions proposed by ING's IFRS 9 Technical Board for approval by the IFRS 9 Steering Committee.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated at FVPL are recognised in the Statement of profit or loss (SOPL), whereas under IFRS 9 the fair value changes are presented as follows:

The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in the Statement of other comprehensive income (SOCI). Upon derecognition this Debt Valuation Adjustment (DVA) impact shall not be recycled from other comprehensive income (OCI) to the SOPL; and

The remaining amount of change in the fair value is presented in the SOPL. The impact of this change is that an amount of approximately EUR 0.2 billion will be reclassified within equity from Retained earnings to OCI.

Impact

As a result of the combined application of the business model analysis and SPPI test, the classification and measurement of the following portfolios will change:

The most significant change is the reclassification of a part of the available-for-sale (AFS) investment portfolio, which will be split into a portfolio classified at AC and a portfolio at FVOCI. Approximately EUR 35.5 billion of debt securities previously classified at AFS under IAS 39 will be measured at AC based on the IFRS 9 HtC business model. The reclassification from AFS to AC will result in a reduction of the unrealised revaluation gains in equity at transition date of approximately EUR 0.6 billion.

For a mortgage portfolio of EUR 3.4 billion, the measurement will change from AC to FVOCI as it meets the HtC&S business model requirements. As the fair value of the portfolio is higher than the AC, this will have a positive impact on equity of EUR 0.2 billion.

Approximately EUR 1.3 billion of debt securities and loans previously booked at AC or AFS will be measured at FVPL as the cash flows do not meet the SPPI test. This measurement change has a limited negative impact on equity at transition date.

Furthermore, there are a few portfolios for which only the classification on ING's Consolidated statement of financial position will change without impacting equity.

ING has a portfolio of equity securities amounting to EUR 4.0 billion. For strategic equity instruments amounting to EUR 3.9 billion, ING has decided to apply the option to irrevocably designate these at FVOCI, instead of the IFRS 9 default measurement of FVPL. FVOCI equity investments will have no recycling of the revaluation reserve anymore to the SOPL upon disposal. For these instruments only dividend income continues to be recognised in the SOPL.; and

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Notes to the Consolidated financial statements - continued

Certain reverse repurchase portfolios amounting to EUR 54.8 billion will be classified as financial assets mandatorily at FVPL instead of Held for trading. ING will use the fair value option for the related repurchase financial liabilities amounting to EUR 37.2 billion.

Impairment

The implementation of IFRS 9 has a significant impact on ING's impairment methodology. The Expected Credit Loss (ECL) model is a forward-looking model. The ECL estimates are unbiased, probability-weighted, and include supportable information about past events, current conditions, and forecasts of future economic conditions. ING's ECL model reflects three macroeconomic scenarios via a baseline, up and down scenario and include the time value of money. The model applies to on-balance sheet financial assets accounted for at AC and FVOCI such as loans, debt securities and lease receivables, as well as off-balance sheet items such as undrawn loan commitments, certain financial guarantees, and undrawn committed revolving credit facilities. Compared to the scope under IAS 39, the main change is the inclusion of off-balance sheet exposures and HitC&S financial assets. ING aligned the definition of credit impaired under IFRS 9 with the definition of default for prudential purposes.

ING's approach leveraged the existing regulatory capital models that use the Advanced Internal Ratings Based (AIRB) models for regulatory purposes. For other portfolios that use the Standardized Approach (SA) to calculate regulatory capital, ING developed new ECL models.

Three stage approach

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

Stage 1: 12 month ECL No significantly increased credit risk.

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). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity.

Stage 2: Lifetime ECL Significantly increased credit risk

In the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

Stage 3: Lifetime ECL Defaulted

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

Significant increase in credit risk

A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk since initial recognition. ING Group established a framework which incorporates quantitative and qualitative information to identify this on an asset level applying a relative assessment. Each financial asset will be assessed at the reporting date on the triggers for significant deterioration. ING Group assesses significant increase in credit risk using:

Delta in the lifetime default probability;

Forbearance status;

Watch list status. Loans on the watchlist are individually assessed for Stage 2 classification;

Intensive care management;

Internal rating;

Arrears; and the

More than 30 days past due backstop for Stage 1 to Stage 2 transfers.

The delta in lifetime probability of default is the main trigger for movement between Stage 1 and Stage 2. The trigger compares lifetime probability of default at origination versus lifetime probability of default at reporting date, considering the remaining maturity. Assets can move in both directions, meaning that they will move back to Stage 1 or Stage 2 when the Stage 2 or Stage 3 triggers are not applicable anymore (taking into account the regulatory probation periods). The stage allocation is implemented in the central credit risk systems.

Macroeconomic scenarios

ING has established a quarterly process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. ING applies predominantly data from a leading service provider enriched with the internal ING view. To reflect an unbiased and probability-weighted ECL amount, a baseline, an up-scenario and a down-scenario are determined. As a baseline scenario, ING applies the market-neutral view combining consensus forecasts for economic variables such as unemployment rates, GDP growth, house prices, commodity prices, and short-term interest rates. Applying market consensus in the baseline scenario ensures unbiased estimates of the expected credit losses.

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The alternative scenarios are based on observed forecast errors in the past, adjusted for the risks affecting the economy today and the forecast horizon. The probabilities assigned are based on the likelihoods of observing the three scenarios and are derived from confidence intervals on a probability distribution. The scenarios are adjusted on a quarterly basis.

As the inclusion of forward-looking macroeconomic scenarios requires judgement, a Macroeconomic scenarios team and a Macroeconomic scenarios expert panel were established. The Macroeconomic scenarios team is responsible for the macroeconomic scenarios used for IFRS 9 ECL purposes with a challenge by the Macroeconomic scenarios expert panel. This ensures that the macroeconomic scenarios are sufficiently challenged and that key economic risks, including immediate short term risks, are taken into consideration when developing the macroeconomic scenarios used in the calculation of ECL. The Macroeconomic scenarios expert panel is a diverse team composed of senior management representatives from the Business, Risk, Finance, and an external party.

Measurement

The calculation of IFRS 9 ECL leverages 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. These models are adjusted for 1) removal of embedded prudential conservatism (such as floors), 2) provide forward-looking point in time estimates based on macroeconomic predictions and 3) a 12 months or lifetime view of credit risk where needed. Lifetime features are default behaviour over a longer horizon, full behaviour after the default moment, repayment schedules and early settlements. For most financial instruments, the expected life is limited to the remaining maturity. For overdrafts and certain revolving credit facilities, such as credit cards, open ended assumptions are taken as these do not have a fixed term or repayment schedule.

To measure ECL, ING Group applies a PD x EAD x LGD approach incorporating the time value of money. 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 credit is applied. 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 till maturity. For Stage 3 assets the PD equals 100% and the Loss Given Default (LGD) and Exposure At Default (EAD) represent a lifetime view of the losses based on characteristics of defaulted facilities.

Impact

As a result of the new IFRS 9 impairment requirements, ING expects that the loan loss provisions (LLP) increase by approximately EUR 0.6 billion (pre-tax). The split of the ECL to different stages of our portfolio is further detailed in the table below. The increase in the level of impairments due to the IFRS 9 transition is mainly the result of IFRS 9 Stage 2 loans for which lifetime expected credit losses need to be calculated.

Estimated IFRS 9 transition impact impairments as at 1 January 2018¹

In billions of euros	IAS 39 LLP	IFRS 9 impairment stages		Estimated IFRS 9 ECL increase	Estimated IFRS 9 ECL
Incurring but Not Reported (IBNR)	0.7	Stage 1	12 month ECL	0.1	0.4
		Stage 2	Lifetime ECL	0.5	0.9
Individual provisions (ISFA, INSFA)	3.9	Stage 3	Lifetime ECL	0.0 ²	3.9
Total	4.6	Total		0.6	5.2

1 Includes provisions for contingent liabilities

2 The change for Stage 3 financial assets is rounded.

IFRS 9 Impact on capital and other regulatory requirements

IFRS 9 will impact ING Group's reported capital as a result of the transition adjustments recorded in shareholders' equity on transition date. The Basel Committee on Banking Supervision (BCBS) pointed out that the treatment of provisions under both the SA and the AIRB frameworks remains, but allows jurisdictions the option to choose whether to apply a transitional arrangement for the impact of impairment under IFRS 9. As a result, the EU introduced transitional arrangements for mitigating the impact of the introduction of IFRS 9 impairment on own funds in the Capital Requirements Regulations (CRR). ING has decided not to apply the IFRS 9 impairment transitional arrangements. The increase in provisions will have limited impact on ING's CET1 ratio as for the AIRB portfolios it will be offset by the existing regulatory provision shortfall per 31 December 2017.

The estimated impact of the adoption of IFRS 9 on shareholders' equity is approximately EUR -0.9 billion and -18 basis points on CET1 capital ratio at implementation date 1 January 2018, consisting of:

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Estimated impact of adopting IFRS 9 on shareholders' equity as at 1 January 2018

In billions of euros	Estimated impact on shareholders equity
Loan loss provisions ¹	0.4
Investment portfolio ²	0.6
Mortgages held in HtC&S portfolio ³	0.2
Other ⁴	0.1
Total impact	0.9

- 1 The EUR -0.4 billion is, the post-tax impact on equity of the estimated IFRS 9 ECL increase amounting to EUR 0.6 billion. The capital impact is for the AIRB portfolios, offset by the release of expected loss elements currently included in the calculation of regulatory capital per 31 December 2017.
 - 2 Main impact of approximately EUR -0.6 billion from the reclassification of a part of the investment portfolio from the AFS (FVOCI) debt securities under IAS 39 to the HtC portfolio (AC) under IFRS 9.
 - 3 A portfolio of mortgages will be measured at FVOCI under IFRS 9 instead of AC under IAS 39 resulting in an impact of approximate EUR 0.2 billion impact on CET1 capital.
 - 4 This item mainly relates to the estimated impact of reporting loans and debt instruments at fair value through the SOPL because the cash flows of these assets do not represent SPPI.
- The impact on other regulatory ratios is not expected to be material.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018 and has been endorsed by the EU. 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 deliver benefit from the customer's perspective. Revenue should either be recognised at a point-in-time or over-time depending on the service being delivered to the customer.

ING assessed the impact of IFRS 15 and expects that it will have no significant effect on ING Group's Net result and/or Other comprehensive income and Shareholders' equity.

IFRS 16 Leases

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 and has been endorsed by the EU. IFRS 16 is the new accounting standard for leases and will replace IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The new standard removes the distinction between operating or finance leases for lessee accounting, 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 planning to use the modified retrospective approach, however ING is still currently assessing the detailed impact of this standard.

Reconciliation between IFRS-EU and IFRS-IASB

The published 2017 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.

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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.

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).

Reconciliation shareholders' equity under IFRS-EU and IFRS-IASB

	Total Equity		
	2017	2016	2015
In accordance with IFRS-EU	50,406	49,793	47,832
Adjustment of the EU IAS 39 carve-out	2,655	3,472	3,883
Tax effect of the adjustment	678	936	1,023
Effect of adjustment after tax	1,977	2,536	2,860
Shareholders' equity	48,429	47,257	44,972
Non-voting equity securities			
Non-controlling interests	715	606	638
In accordance with IFRS-IASB Total Equity	49,144	47,863	45,610

Reconciliation net result under IFRS-EU and IFRS-IASB

	Net result		
	2017	2016	2015
In accordance with IFRS-EU	4,905	4,651	4,010
Adjustment of the EU IAS 39 carve-out	817	411	1,205
Tax effect of the adjustment	258	87	289

Effect of adjustment after tax	559	324	916
In accordance with IFRS-IASB (attributable to the equityholders of the parent)	5,464	4,975	4,926
Non-controlling interests	82	75	408
In accordance with IFRS-IASB Total net result	5,546	5,050	5,334

c) Significant judgements and critical accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements in the process of applying its accounting policies and to use estimates and assumptions. The 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.

ING Group has identified areas that require management to make significant judgements and use critical accounting estimates and assumptions based on the information and financial data that may change in future periods. These areas are:

The determination of the fair values of financial assets and liabilities;

Loan loss provisions; and

Provisions.

For further discussion of the significant judgements and critical accounting estimates and assumptions in these areas, reference is made to the relevant parts in section d) Principles of valuation and determination of results and the applicable notes to the consolidated financial statements.

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Notes to the Consolidated financial statements - continued

d) 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. Subsidiaries are entities controlled by ING Groep N.V. Control exists if ING Groep N.V. is exposed or has rights to variable returns and has the ability to affect those returns through the power over the investee. Control is usually achieved through situations including, but not limited to:

Ownership, directly or indirectly, of more than half of the voting power;

Ability to appoint or remove the majority of the board of directors;

Power to govern operating and financial policies under statute or agreement; and

Power over more than half of the voting rights through an agreement with other investors.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether ING 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.

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 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. 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.

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.

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.

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Notes to the Consolidated financial statements - continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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 21 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 18 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. 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.

Derecognition of financial liabilities

Financial liabilities are 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.

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Notes to the Consolidated financial statements - continued

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 receivables, 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 designate a financial asset or a financial liability as such 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 using the effective interest method (where applicable) and the remaining changes in fair value of such instruments are recognised in Valuation results and net trading income in the statement of profit or loss.

Dividend income from equity instruments classified at fair value through profit or loss is generally recognised in Valuation results and net trading 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.

Investments

Investments (including loans quoted in active markets) are classified either as held-to-maturity or available-for-sale. 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 quoted 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 some categories of 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.

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.

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Financial liabilities at amortised cost are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Liabilities in this category 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 liability 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.

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 the 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.

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 inputs 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 possible.

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 level.

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) to the uncollateralised derivatives based on the market price of funding liquidity.

Significant judgements and critical accounting estimates and assumptions:

Even if market prices are available, 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.

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.

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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.

Credit risk management classification and maximum credit risk exposure

Credit risk management disclosures are provided in the section Risk management Credit risk paragraph Credit risk categories .

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 .

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 value is 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.

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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.

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, Customer deposits, or Trading, as appropriate.

Securities purchased under agreements to resell (reverse repos) are not recognised in the statement of financial position. The consideration paid to purchase securities is 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 (loan loss provisions)

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.

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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 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 impairment loss 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.

Losses expected as a result of future events, no matter how likely, are not recognised.

The Group first assesses whether objective evidence of impairment (a loss event/trigger) 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 (a loss event/trigger) 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.

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.

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

Significant judgements and critical accounting estimates and assumptions:

Considerable judgement is exercised in determining the extent of the loan loss provision (impairment) for financial assets assessed for impairment both individually and collectively. Judgement is exercised in management's evaluation of whether there is objective evidence that an impairment loss on an asset has been incurred, 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.

ING Group estimates individual impairment provisions for individually significant financial assets that have objective evidence of impairment. The key judgement exercised in this area is determination of when an impairment event has occurred. Key assumptions in determining the amount of the individual provision are the expected future cash flows from the financial asset in question.

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.

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Notes to the Consolidated financial statements - continued

Expected 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.

Reference is made to Note 6 Loans and advances to customers and the section Risk management Credit risk for further details.

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.

Investments in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control. Significant influence is the ability to participate in the financial and operating policies of the investee. It generally results from a shareholding of between 20% and 50% of the voting rights or 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 long-term interests in the associate like uncollateralised loans that are neither planned nor likely to be settled in the foreseeable future, 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.

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The fair values of land and buildings are based on regular appraisals done by independent qualified valuers or by internal valuers, 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.

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 and the changes in fair value will be recognised in the statement of profit or loss. 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.

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Notes to the Consolidated financial statements - continued

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 Financial statements 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.

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, including 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 recoverable amount of that group of CGUs. The carrying value is determined as the IFRS net asset value including goodwill. 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. When the carrying values need to be allocated between Retail and Wholesale solvency (risk-weighted assets) are used as a basis. 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.

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.

Fair value remeasurement of available-for-sale investments and cash flow hedges are recognised directly in equity. Deferred tax related to this fair value measurement 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.

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Notes to the Consolidated financial statements - continued

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.

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 is classified as discontinued operations. Upon classification of a business as held for sale and discontinued operations the individual income and expenses are presented within the 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.

Provisions, contingent liabilities and contingent assets

A provision is 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.

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.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ING Group; or a present obligation that arises from past events but is not recognised because it is either not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, but are rather disclosed in the notes unless the possibility of the outflow of economic benefits is remote.

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Notes to the Consolidated financial statements - continued

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ING Group. Contingent assets are recognised in the statement of financial position only when realisation of the income that arises from such an asset is virtually certain. Contingent assets are disclosed in the notes when an inflow of economic benefits is probable.

Significant judgements and critical accounting estimates and assumptions:

The recognition and measurement of provisions is an inherently uncertain process involving using judgement to determine when a present obligation exists and estimates regarding probability, amounts and timing of cash flows.

ING Group may become involved in legal proceedings. The degree of uncertainty and the method of making the accounting estimate depends on the individual case, its nature and complexity. Legal cases are usually one of a kind. Judgment is required to estimate the probability of an unfavourable outcome and the amount of potential loss. For the assessment of litigation provisions the Group consults with legal experts. Even taking into consideration legal experts advice, the probability of an outflow of economic benefits can still be uncertain and the amount provisioned can remain sensitive to the assumptions used which may have a broad range of outcomes. Reference is made to Note 14 Provisions . For legal proceedings where it is not possible to make a reliable estimate of the expected financial effect, that could result from the ultimate resolution of the proceedings, no provision is recognised, however disclosure is included in the financial statements. Reference is made to Note 45 Legal proceedings .

Key assumptions for the reorganisation provision are in estimating the amounts and timing of cash flows as the announced transformation initiatives are implemented over a period of several years. Reference is made to Note 14 Provisions .

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.

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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.

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 pre-determined continuous period of service.

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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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.

Liabilities arising from financing activities are debt securities and subordinated loans.

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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**

	2017	2016
Amounts held at central banks	19,687	16,408
Cash and bank balances	2,302	1,736
	21,989	18,144

In 2017, the movement in Cash and balances with central banks reflects ING's liquidity management.

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	
	2017	2016	2017	2016	2017	2016
Loans	7,899	10,381	20,916	18,483	28,815	28,864
Cash advances, overdrafts and other balances	1	3	3	2	4	5
	7,900	10,384	20,919	18,485	28,819	28,869
Loan loss provisions	1		7	11	8	11
	7,899	10,384	20,912	18,474	28,811	28,858

Loans include balances (mainly short-term deposits) with central banks amounting to EUR 4,032 million (2016: EUR 2,880 million).

As at 31 December 2017, Loans include receivables related to securities in reverse repurchase transactions amounting to EUR 4,637 million (2016: EUR 2,992 million) and receivables related to finance lease contracts amounting to EUR 65 million (2016: EUR 88 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 2017, the non-subordinated receivables amount to EUR 28,768 million (2016: EUR 28,790 million) and the subordinated receivables amount to EUR 43 million (2016: EUR 68 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	2017	2016
Trading assets	116,748	114,504
Non-trading derivatives	2,231	2,490
Designated as at fair value through profit or loss	4,242	5,099
	123,221	122,093

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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**

	2017	2016
Equity securities	13,666	9,513
Debt securities	7,477	9,863
Derivatives	27,444	38,231
Loans and receivables	68,161	56,897
	116,748	114,504

As at 31 December 2017, Trading assets include receivables of EUR 67,138 million (2016: EUR 56,020 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 clients, 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. 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 13 Financial liabilities at fair value through profit or loss for information on trading liabilities.

Non-trading derivatives**Non-trading derivatives by type**

	2017	2016
Derivatives used in		

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fair value hedges	542	787
cash flow hedges	617	438
hedges of net investments in foreign operations	29	73
Other non-trading derivatives	1,043	1,192
	2,231	2,490

ING Group holds warrants for 35 million shares (2016: 35 million) and 7 million (2016: 26 million) shares in NN Group N.V. and Voya Financial Inc. respectively.

Other non-trading derivatives mainly includes interest rate swaps and foreign exchange currency swaps for which no hedge accounting is applied. As at 31 December 2017, Other non-trading derivatives includes EUR 51 million (2016: EUR 175 million) and EUR 2 million (2016: EUR 19 million) related to warrants on the shares of Voya Financial Inc. and NN Group N.V. respectively. In 2017 ING sold warrants for 19 million of the shares in Voya Financial Inc. Reference is made to Note 21 Valuation results and net trading income .

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Notes to the Consolidated financial statements - continued

Designated at fair value through profit or loss

Designated at fair value through profit or loss by type	2017	2016
Equity securities	4	3
Debt securities	1,739	1,669
Loans and receivables	2,499	3,427
	4,242	5,099

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 232 million (2016: EUR 260 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 6 million (2016: EUR 8 million) and the change for the current year amounts to EUR 2 million (2016: EUR 1 million).

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 2017, Loans and receivables designated at fair value through profit or loss includes EUR 2,095 million (2016: EUR 3,001 million) with regard to reverse repurchase transactions.

5 Investments

Investments by type	2017	2016
Available-for-sale		
equity securities - shares in third party managed structured entities	168	170
equity securities - other	3,815	3,854

	3,983	4,024
debt securities	65,747	78,888
	69,730	82,912
Held-to-maturity		
debt securities	9,343	8,751
	9,343	8,751
	79,073	91,663

*Exposure to equity securities***Available-for-sale equity securities - Listed and Unlisted**

	2017	2016
Listed	3,518	3,539
Unlisted	465	485
	3,983	4,024

Listed equity securities are primarily made up of Bank of Beijing and Mahindra Kotak Bank.

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Notes to the Consolidated financial statements - continued

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	2017	2016
Available-for-sale investments	65,747	78,888
Held-to-maturity investments	9,343	8,751
Loans and advances to customers	5,099	7,471
Loans and advances to banks	265	952
Available-for-sale investments and Assets at amortised cost	80,454	96,062
Trading assets	7,477	9,863
Designated as at fair value through profit or loss	1,739	1,669
Financial assets at fair value through profit or loss	9,216	11,532
	89,670	107,594

ING Group's total exposure to debt securities included in available-for-sale investments and assets at amortised cost of EUR 80,454 million (2016: EUR 96,062 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Government bonds	34,844	41,985	7,462	6,688	828	858			43,134	49,531
Sub-sovereign, Supranationals and Agencies	17,215	20,484	1,255	1,613	245	267			18,715	22,364
Covered bonds	8,737	11,297	100	100	418	1,820	154	882	9,409	14,099
Corporate bonds	1,284	1,345			970	791			2,254	2,136
Financial institutions bonds	1,701	2,020	311		429	351	107	70	2,548	2,441

ABS portfolio	1,966	1,757	215	350	2,209	3,384	4		4,394	5,491
Bond portfolio	65,747	78,888	9,343	8,751	5,099	7,471	265	952	80,454	96,062

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).

99% (2016: 97%) of the exposure in the ABS portfolio is externally rated AAA up to and including A-.

There are no borrowed debt securities recognised in the statement of financial position.

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

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	Opening balance	4,024	4,434	78,888	82,566	8,751	7,826	91,663
Additions	325	80	21,276	27,073	3,609	1,731	25,210	28,884
Amortisation			146	144	46	87	192	231
Transfers and reclassifications	7	92					7	92
Changes in unrealised revaluations ¹	21	363	1,030	102	64	70	1,073	191
Impairments	6	13					6	13
Reversal of impairments			3				3	
Disposals and redemptions	79	682	32,709	30,483	2,675	630	35,463	31,795
Exchange rate differences	308	72	535	16	232	19	1,075	107
Changes in the composition of the group and other changes	1	6		6			1	
Closing balance	3,983	4,024	65,747	78,888	9,343	8,751	79,073	91,663

1 Changes in unrealised revaluations include changes on hedged items which are recognised in the statement of profit or loss

In 2017 available-for-sale debt securities decreased by EUR 13 billion and is mainly related to lower positions in Government bonds, Subsovereign Suprationals and Agencies, and covered bonds.

In 2017 ING participated in the private placement by Bank of Beijing (BoB). ING participated in the offering for an aggregate amount of around EUR 240 million representing 265 million shares.

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

Reference is made to Note 22 Investment income for details on Impairments.

6 Loans and advances to customers

Loans and advances to customers by type

	Netherlands ¹		International ¹		Total	
	2017	2016	2017	2016	2017	2016
Loans to, or guaranteed by, public authorities	26,975	27,746	19,397	18,634	46,372	46,380
Loans secured by mortgages	119,457	124,001	204,502	194,706	323,959	318,707
Loans guaranteed by credit institutions	257	201	1,722	944	1,979	1,145
Personal lending	3,162	3,236	20,074	18,722	23,236	21,958
Asset backed securities			2,209	3,380	2,209	3,380
Corporate loans	38,208	39,670	140,461	134,092	178,669	173,762
	188,059	194,854	388,365	370,478	576,424	565,332
Loan loss provisions	1,693	2,349	2,822	2,829	4,515	5,178
	186,366	192,505	385,543	367,649	571,909	560,154

1 In 2017, Loans and advances to customers by type as at 31 December 2016 have been restated to conform to current year presentation.

As at 31 December 2017, Loans and advances to customers includes receivables with regard to securities which have been acquired in reverse repurchase transactions amounting to EUR 421 million (2016: EUR 47 million).

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

Loans and advances to customers by subordination

	2017	2016
Non-subordinated	571,429	558,857
Subordinated	480	1,297
	571,909	560,154

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 Credit Risk Appetite and Concentration Risk Framework .

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

Finance lease receivables

	2017	2016
Maturities of gross investment in finance lease receivables		
within 1 year	2,729	2,492
more than 1 year but less than 5 years	6,215	6,282
more than 5 years	2,897	3,114
	11,841	11,888
Unearned future finance income on finance leases	1,082	1,254
Net investment in finance leases	10,759	10,634
Maturities of net investment in finance lease receivables		
within 1 year	2,474	2,210
more than 1 year but less than 5 years	5,652	5,635
more than 5 years	2,633	2,789
	10,759	10,634
Included in Loans and advances to banks	65	88
Included in Loans and advances to customers	10,694	10,546
	10,759	10,634

An allowance for uncollectable finance lease receivables of EUR 337 million as at 31 December 2017 (2016: EUR 282 million) is included in the loan loss provision.

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.

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Notes to the Consolidated financial statements - continued

Loan loss provisions by type

	Netherlands		International		Total	
	2017	2016	2017	2016	2017	2016
Loans to, or guaranteed by, public authorities			3	7	3	7
Loans secured by mortgages	347	550	526	638	873	1,188
Loans guaranteed by credit institutions	2	2	7	12	9	14
Personal lending	118	122	746	620	864	742
Asset backed securities			9	2	9	2
Corporate loans and Credit Facilities	1,268	1,738	1,602	1,617	2,870	3,355
	1,735	2,412	2,893	2,896	4,628	5,308
The closing balance is included in						
Loans and advances to banks	1		7	11	8	11
Loans and advances to customers	1,693	2,349	2,822	2,829	4,515	5,178
Other provisions other	41	63	64	56	105	119
	1,735	2,412	2,893	2,896	4,628	5,308

Changes in loan loss provisions

	2017	2016
Opening balance	5,308	5,786
Write-offs	1,279	1,494
Recoveries	59	94
Increase in loan loss provisions	676	974
Exchange rate differences	136	55
Changes in the composition of the group and other changes		3
Closing balance	4,628	5,308

Movement 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
2017**

	Interest held (%)	Fair value of listed investment	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
TMB Public Company Limited	30	1,006	877	21,251	19,004	711	507
Other investments in associates and joint ventures			211				
			1,088				

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				

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).

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Notes to the Consolidated financial statements - continued

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.

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 33 million (2016: EUR 48 million) have been recognised. The values presented in the tables above could differ from the values presented in the individual financial statements 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.

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

	2017	2016
Opening balance	1,141	962
Additions	79	49
Transfers to and from Investments/Other assets and liabilities	1	75
Revaluations	8	38
Share of results	178	91
Dividends received	32	37
Disposals	245	54
Impairments		3
Exchange rate differences	24	20

Closing balance	1,088	1,141
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In 2017, Transfers to and from Investments/Other assets and liabilities of EUR 1 million (2016: 75 million) included EUR 5 million reclassification from Available-for-sale equity securities to associates (2016: EUR 82 million) and EUR 6 million reclassification from/to other assets and other liabilities (2016: EUR 7 million).

In 2017, Revaluations as presented in the table above of EUR 8 million relates to several smaller revaluations. In 2016 revaluations of EUR 38 million includes EUR 54 million relating to TMB, EUR 17 million relating to Equens SE, and EUR 31 million due to other revaluations.

In 2017, Share of results from associates and joint ventures of EUR 178 million as presented in the statement of profit or loss and the table above, is mainly attributable to results of TMB, EUR 67 million and a gain of EUR 97 million on the sale of shares in Appia Group Ltd UK.

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 2017, Disposals of EUR 245 million is mainly attributable to the sale of Appia Group Ltd UK of EUR 146 million and several other smaller divestments in associates. 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.

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Notes to the Consolidated financial statements - continued

8 Property and equipment

Property and equipment by type	2017	2016
Property in own use	774	881
Equipment	917	1,015
Assets under operating leases	110	106
	1,801	2,002

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	2017	2016
Opening balance	881	982
Additions	5	9
Reclassifications		
- Transfers to and from Investment properties		8
		8
Amounts recognised in the statement of profit or loss for the year		
- Depreciation	13	15
- Impairments	8	64
- Reversal of impairments	24	5
	3	74
Revaluations recognised in equity during the year	42	11
Disposals	145	38
Exchange rate differences	12	17
Closing balance	774	881
Gross carrying amount as at 31 December	1,324	1,656
Accumulated depreciation as at 31 December	376	504
Accumulated impairments as at 31 December	174	271

Net carrying value as at 31 December	774	881
Revaluation surplus		
Opening balance	256	273
Revaluation in the year	23	17
Closing balance	279	256

The cost or the purchase price amounted to EUR 1,044 million (2016: EUR 1,400 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 495 million (2016: EUR 625 million) had property in own use been valued at cost instead of at fair value.

In 2017, disposals of EUR 145 million is mainly attributable to the sale of office buildings in Belgium.

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Notes to the Consolidated financial statements - continued

Changes in equipment

	Data processing equipment and other equipment		Fixtures and fittings		Total	
	2017	2016	2017	2016	2017	2016
	Opening balance	323	263	692	708	1,015
Additions	129	161	130	181	259	342
Disposals	1	5	12	20	13	25
Depreciation	133	137	174	178	307	315
Impairments			2		2	
Exchange rate differences	8	5	5	5	13	10
Changes in the composition of the group and other changes	19	46	3	6	22	52
Closing balance	291	323	626	692	917	1,015
Gross carrying amount as at 31 December	1,275	1,274	2,249	2,432	3,524	3,706
Accumulated depreciation as at 31 December	983	950	1,623	1,740	2,606	2,690
Accumulated impairments as at 31 December	1	1			1	1
Net carrying value as at 31 December	291	323	626	692	917	1,015

9 Intangible assets**Changes in intangible assets**

	Goodwill		Software		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening balance	903	985	571	567	10	15	1,484	1,567
Additions			72	93			72	93
Capitalised expenses			192	195			192	195
Amortisation			173	182	6	5	179	187
Impairments			30	45			30	45
Exchange rate differences	87	82		1			87	83
Disposals			9	9			9	9
Changes in the composition of the group and other changes			25	47	1		26	47
Closing balance	816	903	648	571	5	10	1,469	1,484
Gross carrying amount as at 31 December	816	903	1,902	1,756	30	29	2,748	2,688

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Accumulated amortisation as at 31 December	1,225	1,147	23	17	1,248	1,164		
Accumulated impairments as at 31 December	29	38	2	2	31	40		
Net carrying value as at 31 December	816	903	648	571	5	10	1,469	1,484

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Notes to the Consolidated financial statements - continued

Goodwill

Goodwill is allocated to groups of cash generating units (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 2017	Goodwill 2016
Retail Belgium	Values in use	8.95%	1.30%	50	50
Retail Germany	Values in use	8.10%	1.30%	349	349
Retail Growth Markets ¹	Fair value less cost of disposal			307	375
Wholesale Banking ¹	Values in use	9.54%	2.12%	110	129
				816	903

1 Goodwill related to Growth Countries is allocated across two groups of CGUs EUR 307 million to Retail Growth Markets and EUR 90 million to Wholesale Banking (2016: EUR 375 million to Retail Growth Markets and EUR 109 million to Wholesale Banking). The fair value less cost of disposal is based on Level 1 and Level 2 inputs. No goodwill impairment was recognised in 2017 (2016: nil). Changes in the goodwill per group of CGUs in 2017 is due to changes in currency exchange rates.

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 recoverable amount exceeds the carrying value of the CGUs for 2017 and 2016 and therefore no impairment is required.

Sensitivity of key assumptions

Key assumptions in the goodwill impairment test model are the Price-to-Book ratios, level 1 inputs (e.g. share price of a listed subsidiary), 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 477 million (2016: EUR 395 million).

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10 Other assets

Other assets by type	2017	2016
Net defined benefit assets	542	609
Investment properties	65	65
Property development and obtained from foreclosures	137	184
Accrued interest and rents	4,528	5,588
Other accrued assets	753	884
Amounts to be settled	4,097	4,815
Other	2,965	2,577
	13,087	14,722

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	2017	2016
Property developed	63	109
Property obtained from foreclosures	74	75
	137	184
Gross carrying amount as at 31 December	417	469
Accumulated impairments as at 31 December	280	285
Net carrying value	137	184

The total amount of borrowing costs relating to Property development and obtained from foreclosures, capitalised in 2017 is nil (2016: nil).

Accrued interest and rents

As at 31 December 2017, the line item includes accrued interest of EUR 1,375 million (2016: EUR 1,939 million) on trading derivative assets and EUR 2,505 million (2016: EUR 2,773 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 15 Other liabilities . The remainder of the balance relates mainly to accrued interest on cash flow hedges, fair value hedges and other non-trading derivatives.

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