

ING Bank N.V. Condensed
consolidated interim financial
information for the period ended

30 June 2015

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Interim report

Introduction

ING Bank N.V. is part of ING Groep N.V. ING Bank N.V. consist of the following segments: Retail Netherlands, Retail Belgium, Retail Germany, Retail Other and Commercial Banking.

ING Bank evaluates the results of its segments using a financial performance measure called underlying result. Underlying result is defined as result under IFRS-EU, excluding the impact of divestments and special items. 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.

The breakdown of underlying net result by segment and the reconciliation between IFRS-EU and the underlying net result can be found in Note 19 'Segments'. Disclosures on comparative periods in Note 19 'Segments' also reflect the impact of current period's divestments.

Consolidated results of operations

ING Bank N.V. posted a strong set of results in the first six months of 2015. Net profit more than doubled to EUR 2,732 million from EUR 1,166 million the first six months of 2014. Net result in the first six months of 2015 included EUR 339 million of divestments and special items, and related to a EUR 367 million on the merger between ING Vysya Bank and Kotak Mahindra Bank and EUR 27 million after-tax charges for the earlier announced restructuring programmes in Retail Netherlands. Divestments and special items in the first six months of 2014 amounted to a net loss of EUR 682 million and related mainly to the result on the deconsolidation of ING Vysya Bank, the after-tax charge for making the Dutch Defined Benefit pension fund financially independent, and the first and second payment of the levy related to the SNS Reaal nationalisation.

Excluding divestments and special items, ING Bank posted an underlying net profit of EUR 2,393 million in the first six months of 2015, up 29.5% from EUR 1,848 million in the same period last year.

The underlying result before tax rose 30.5% to EUR 3,369 million from EUR 2,582 million in the first six months of last year. The first half of 2015 included EUR 207 million of positive credit and debt valuation adjustments (CVA/DVA) recorded in Commercial Banking and the Corporate Line versus a EUR 124 million negative impact in the first half of 2014. Excluding CVA/DVA, underlying result before tax increased by EUR 457 million, or 16.9%, on last year. Income benefitted from solid loan growth, capital gains and positive currency effects, but was negatively affected by non-recurring charges from mortgage refinancings (prepayments and renegotiations). Underlying expenses increased 4.1% on the first six months of last year, as ING Bank remains vigilant on costs while continuing to invest in strategic priorities and in business growth.

Total underlying income increased 11.3% to EUR 8,596 million from EUR 7,721 million in the first six months of 2014, but was up 6.9% excluding CVA/DVA. Interest result rose by EUR 232 million, or 3.8%, driven by volume growth in customer deposits and non-mortgage customer lending. The underlying interest margin decreased by five basis points to 1.47% in the first six months of 2015 compared with 1.52% in the same period last year. This decline was mainly due to margin pressure on current accounts and lower interest results in Financial Markets, partly offset by higher margins on lending and savings. Commission income increased to EUR 1,189 million from EUR 1,155 million last year. Investment income declined to EUR 137 million compared with EUR 144 million in the first half of 2014. Other income increased to EUR 892 million from EUR 277 million last year, mainly due to the aforementioned positive swing in CVA/DVA, higher revenues at Financial Markets and increased capital gains, partly offset by EUR 127 million of non-recurring charges related to the mortgage portfolios in Italy and Belgium due to higher prepayments and renegotiations than expected, leading to accelerated amortisation charges.

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Underlying operating expenses were up EUR 175 million, or 4.1%, to EUR 4,442 million. The increase was, next to approximately EUR 53 million of currency impacts, mainly attributable to higher IT investments to improve customer experience and enhance operational excellence, and business growth in mainly Retail Germany, Retail Other and Industry Lending within Commercial Banking. The cost/income ratio was 51.7% compared with 55.3% in the first half of 2014. However, excluding the volatile CVA/DVA impacts in both periods, the cost/income ratio improved to 52.9% from 54.4% a year ago.

Net additions to loan loss provisions declined to EUR 785 million compared with EUR 872 million last year, mainly visible in Retail Netherlands reflecting the improving sentiment in the Dutch housing market. Risk costs were annualised 52 basis points of average risk-weighted assets compared with 60 basis points in the first half of 2014.

Retail Netherlands

Underlying result before tax of Retail Netherlands rose to EUR 778 million from EUR 623 million in the first six months of 2014, mainly due to higher income and lower risk costs, while operating expenses remained stable.

Total underlying income increased to EUR 2,231 million, up 3.7% compared with EUR 2,152 million in the first half of 2014. Income was supported by higher interest margins on lending and savings (following several client rate reductions), which compensated for lower lending volumes. The decline in volumes was, next to low demand, mainly caused by the additional transfers of WestlandUtrecht Bank (WUB) mortgages to NN Bank and the run-off in the WUB mortgage portfolio as well as the transfer of a EUR 0.9 billion real estate finance portfolio from WUB to Commercial Banking in 2015. The total mortgage portfolio declined in the first half of 2015 by EUR 2.1 billion. Excluding EUR 0.5 billion of additional transfers of WUB mortgages to NN Bank and a EUR 0.5 billion decline in the fair value hedge on mortgages, the net production in the mortgage portfolio was EUR 1.1 billion, largely due to the continuing run-off of the WUB portfolio and higher prepayments. The net production in other customer lending, mainly business lending, was EUR 0.4 billion. The net production of customer deposits was EUR 4.6 billion in the first half of 2015. Investment and other income rose by EUR 70 million on last year, mainly due to positive hedge ineffectiveness results related to the Dutch mortgage hedge accounting programme, while the first half of 2014 included a EUR 23 million loss on the sale of real estate in own use.

Operating expenses slightly increased 0.2% to EUR 1,161 million, as higher IT investments were offset by lower HR provisions and the benefits from the ongoing cost-efficiency programmes. The cost savings programmes remain on track to realise EUR 675 million of cost savings by the end of 2017. Of this amount, EUR 387 million have already been realized since 2011.

The net addition to loan loss provisions declined to EUR 292 million from EUR 370 million in the first half of 2014. Of this decline, EUR 66 million was attributable to lower net additions for Dutch mortgages, reflecting the improving sentiment in the Dutch housing market.

Retail Belgium

Retail Belgium's underlying result before tax decreased to EUR 395 million from EUR 470 million in the first six months of 2014, mainly due to lower income and increased expenses.

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The underlying income was down by EUR 46 million, or 3.4%, to EUR 1,298 million compared with EUR 1,344 million last year. Investment and other income declined to EUR 85 million from EUR 159 million in the first half of 2014, due to lower capital gains and a EUR 30 million non-recurring charge on hedges related to mortgages. The interest result was slightly up by EUR 4 million, or 0.4%, as increased volumes, higher margins on mortgages and elevated levels of prepayment charges on mortgages were offset by lower margins on other lending products, savings and current accounts. Commission income increased by EUR 24 million to EUR 217 million compared with last year, reflecting higher fee income on mutual funds, and a one-off gain of EUR 11 million on the sale of a loan. The lending portfolio increased by EUR 3.3 billion in the first half of 2015, of which EUR 0.8 billion was in residential mortgages and EUR 2.5 billion in Other lending. Customer deposits increased by EUR 2.8 billion, mainly due to current accounts inflow in the mid-corporate and SME segments.

Operating expenses increased by EUR 21 million (or 2.6%) compared with the first half of 2014. This increase reflects higher regulatory costs, as in the first half of 2015 the DGS costs for the full year were booked while these were accrued over the months in 2014. The strategic projects announced by ING Belgium in the beginning of 2013 are on track to realise EUR 160 million of cost savings by the end of 2017. Of this amount, EUR 128 million has already been realised.

The net addition to the provision for loan losses increased by EUR 8 million to EUR 88 million compared with a year ago. This increase was mainly visible in business lending where risk costs rose by EUR 6 million to EUR 56 million. Risk costs for mortgages and consumer lending were both EUR 1 million higher.

Retail Germany

Retail Germany's underlying result before tax rose to EUR 503 million from EUR 361 million in the first six months of 2014, mainly due to higher income, partly offset by higher operating expenses.

The underlying income increased to EUR 939 million in the first half of 2015 compared with EUR 772 million a year ago, mainly due to high realised gains on the sale of bonds in 2015 and higher interest results. The interest result rose 10.5% to EUR 786 million, mainly due to increased lending and savings balances, supported by higher margins on savings (following several pricing reductions, including reductions of the core savings rates in both Germany and Austria). Despite the reduction of rates, customer deposits increased by EUR 4.6 billion in the first half of 2015. The lending portfolio grew by EUR 5.9 billion. This was attributable to a EUR 6.0 billion increase in Bank Treasury products (primarily reverse repurchase agreements), a EUR 0.4 billion increase in consumer lending, partly offset by a EUR 0.5 billion decrease in residential mortgages (of which EUR 0.3 billion was caused by a decline in the fair value hedge on mortgages).

Operating expenses increased by EUR 35 million, or 9.3%, compared with the first half of 2014. The increase reflects higher headcount at both ING-DiBa and Interhyp, investments to support business growth and attract primary banking clients, and higher regulatory cost. The latter was caused by the new national resolution fund in the first half 2015.

The net addition to the provision for loan losses was EUR 27 million versus EUR 37 million a year ago, mainly reflecting the strong quality of the mortgage portfolio.

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Retail Other

Retail Other's underlying result before tax decreased to EUR 258 million from EUR 336 million in the first six months of last year. The decline was primarily driven by lower income in Italy which was caused by EUR 97 million of non-recurring charges related to increased prepayments and renegotiations of fixed-term mortgages. This was partly offset by EUR 33 million of gains on the sale of white-label mortgages in Australia.

Total underlying income decreased by EUR 4 million, or 0.3%, to EUR 1,142 million from EUR 1,146 million in the first half of 2014. This decline was mainly caused by the aforementioned non-recurring charges in Italy and the impact of the deconsolidation of ING Vysya Bank (effective as of the second quarter of 2014), partly offset by aforementioned gains in Australia. Excluding these items, underlying income increased 13.3% mainly due to higher interest results stemming from higher volumes in most countries, despite margin pressure. The net inflow of customer deposits in the first half of 2015, adjusted for currency effects and Bank Treasury, was EUR 2.8 billion, mainly in Spain and Poland. The net production in customer lending (also adjusted for currency effects and Bank Treasury, and the sale of mortgage portfolios in Australia) was EUR 3.8 billion, with growth in mainly Turkey and Poland.

Operating expenses increased by EUR 52 million (or 7.0%) to EUR 790 million compared with the first half of 2014, mainly due to investments to support business growth and inflation adjustments in the Growth Markets, partly offset by the impact of the deconsolidation of ING Vysya Bank.

The addition to the provision for loan losses increased EUR 23 million to EUR 95 million compared with EUR 72 million a year ago, as last year included lower risk costs in Turkey due to releases resulting from model updates, as well as EUR 15 million of risk costs for ING Vysya Bank. The remaining increase was mainly visible in Poland.

Commercial Banking

Underlying result before tax of Commercial Banking increased 57.4% to EUR 1,583 million from EUR 1,006 million in the first six months of 2014. The increase was fully attributable to higher income, particularly due to positive CVA/DVA impacts, and lower risk costs, while expenses increased.

Underlying income rose by EUR 613 million, or 24.9%, to EUR 3,076 million in the first half of 2015, mainly in Financial Markets, which included EUR 176 million of positive CVA/DVA adjustments this year, compared with EUR 102 million of negative adjustments last year. Excluding CVA/DVA impacts, income was 13.1% higher, mainly due to higher income in Industry Lending (Structured Finance) and to a lesser extent in Financial Markets.

The total interest result increased by EUR 104 million, or 6.2%, on the first six months of 2014, due to higher interest income in Industry Lending, partly offset by lower interest results in Financial Markets. The increase in Industry Lending was driven by Structured Finance due to portfolio growth at higher margins and supported by the weakening of the euro. The interest result in General Lending & Transaction Services increased 4.7% on last year, while Bank Treasury, Real Estate & Other declined 14.4%, due to the downsizing of the lease run-off business.

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Commission income increased by EUR 7 million, or 1.4%, on the first six months of 2015, mainly attributable to higher fees from Industry Lending, driven by some large transactions in Structured Finance. The increase was partly offset by lower fee income at Financial Markets. Investment and other income rose to EUR 787 million from EUR 284 million in the first half of 2014. This increase was for the larger part attributable to Financial Markets, which included EUR 176 million of positive CVA/DVA adjustments this year compared with EUR 102 million negative adjustments in the first half of 2014, and was furthermore supported by higher market volatility.

Operating expenses were EUR 1,209 million, or 5.7% higher compared with the same period in 2014, as the cost savings from the restructuring plans were more than offset by FX effects and higher FTEs to support business growth. The previously announced restructuring programmes are on track. At the end of June 2015, EUR 231 million of cost savings had already been realised out of EUR 340 million targeted by 2017. The underlying cost/income ratio in the first half of 2015 was 39.3%, compared with 46.4% a year ago.

Net additions to loan loss provisions declined to EUR 283 million from EUR 313 million in the first half of 2014, mainly reflecting lower risk costs in General Lending & Transactions Services, as last year included high risk costs related to a few specific files, and the Lease run-off portfolio. This was partly offset by higher risk costs in Industry Lending, fully attributable to Structured Finance, while Real Estate Finance included the release of a larger file in 2015.

Corporate Line

The Corporate Line reported an underlying result before tax of EUR -148 million compared with EUR -214 million in the first half of 2014. DVA on own-issued debt showed a positive swing from EUR -22 million a year ago to EUR 31 million this year. Capital Management-related results improved mainly due to positive fair value variations. Bank Treasury-related results, which include the isolated legacy costs (mainly negative interest results) for replacing short-term funding with long-term funding, declined by EUR 14 million on the first half year of 2014, mainly due to fair value variations on long-term debt. This year's result was further supported by a release of a legal provision, while the first six months of 2014 included a release from DGS-related provisions.

Consolidated assets and liabilities

Balance sheet

ING Bank's balance sheet increased by EUR 32 billion, including EUR 13 billion of positive currency impacts, to EUR 861 billion at 30 June 2015 from EUR 829 billion at the end of 2014. The increase was, next to currency impacts, mainly attributable to strong customer lending growth and net customer deposits inflow. As this growth was balanced, the loan-to-deposit ratio (loans and advance to customers excluding securities at amortised cost versus customer deposits) remained stable at 1.04 compared with the end of 2014.

Assets

Excluding currency impacts, total assets increased by EUR 19 billion, due to EUR 19 billion higher loans and advances to customers and EUR 9 billion higher cash and balances with central banks. This was partly offset by EUR 6 billion lower investments and EUR 3 billion lower financial assets at fair value through P&L.

Loans and advances to customers

Loans and advances to customers increased by EUR 24 billion to EUR 542 billion at 30 June 2015 from EUR 518 billion at year-end 2014, of which EUR 5 billion was related to positive currency impacts. The remaining increase was due to EUR 20 billion growth in customer lending. This growth was attributable to Commercial Banking (EUR 10 billion) and Retail Banking (EUR 13 billion, of which EUR 8 billion in Bank Treasury), partly offset by mortgage portfolio sales in Australia, lower hedge valuation of mortgages and additional transfers of mortgages to NN Bank. Securities at amortized cost were EUR 1 billion lower, mainly due to maturities.

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Cash and balances with central banks and Amounts due to and from banks

Cash and balances with central banks increased by EUR 9 billion to EUR 22 billion compared with EUR 12 billion at year-end 2014. The increase was attributable to higher short-term placements at central banks related to inflows in Amounts due to banks and customer deposits. At comparable currency rates, amounts due from banks increased by EUR 1 billion to EUR 40 billion. Amounts due to banks increased by EUR 9 billion to EUR 39 billion.

Financial assets/liabilities at fair value

Adjusted for currency impacts, financial assets at fair value through P&L decreased by EUR 3 billion to EUR 147 billion, due to lower valuation of trading derivatives, following the increase of interest rates, and lower trading securities, partly offset by higher Financial Markets reverse repo activities. Financial liabilities at fair value through P&L, excluding currency impacts, declined by EUR 15 billion to EUR 107 billion, mainly due to lower valuation of trading derivatives, and lower trading securities positions. Financial assets and liabilities at fair value consists predominantly of derivatives, securities and repos. These instruments are mainly used to facilitate the servicing of ING's clients.

Investments

Investments declined at comparable currency rates by EUR 6 billion to EUR 92 billion, mainly due to sales and maturities of government bonds, partly offset by increased equity securities, of which EUR 1 billion related to the stake in Kotak Mahindra Bank after the merger with ING Vysya Bank, and EUR 1 billion higher valuation of the stake in Bank of Beijing.

Assets held for sale

Assets held for sale declined by EUR 1 billion compared with year-end 2014, reflecting the completion of the merger of ING Vysya Bank with Kotak Mahindra Bank on 7 April 2015.

Customer deposits and other funds on deposit

Customer deposits and other funds on deposit increased by EUR 25 billion to EUR 514 billion. Excluding EUR 2 billion of positive currency impacts, the growth was mainly attributable to EUR 16 billion in Retail Banking, EUR 4 billion in Commercial Banking (mainly Transaction Services) and EUR 3 billion in Corporate Line Banking (placements by ING Group).

Debt securities in issue

Debt securities in issue at comparable currency rates increased by EUR 2 billion to EUR 127 billion. CD/CP balances remained flat versus the end of 2014. Long-term debt increased by EUR 2 billion, as ING Bank issued EUR 10 billion of mainly senior unsecured debt, partly offset by maturities and redemptions.

Shareholders' equity

Shareholders' equity increased by EUR 0.7 billion to EUR 38.8 billion, mainly due to EUR 2.7 billion of retained earnings, of which EUR 2.2 billion upstreamed as dividend to ING Group, and EUR 0.3 billion higher currency translation reserve (euro appreciation). Positive revaluations in equity securities were offset by negative revaluations in debt securities, due to higher interest rates. Capital management

Capital management

As of 1 January 2014, the CRR/CRD IV capital rules entered into force. The capital position reflects own funds according to the Basel III rules as specified in the CRR/CRD IV. As CRD IV will be phased in gradually until 2019, the CRD IV positions will reflect the capital according to the 2019 end-state rules (fully-loaded) and the 2015 rules (phased-in). The fully-loaded percentage is calculated on the basis of immediate and full implementation and disregarding the possible impact of future management actions.

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ING Bank's fully-loaded CRR/CRD IV common equity Tier 1 ratio at the end of June 2015 compared to year-end 2014 was approximately stable at 11.3%, thereby complying with the CRR/CRD IV solvency requirements. Retained earnings were offset by both RWA growth due to asset production and a EUR 2.2 billion dividend upstream to ING Groep N.V..

At the end of June 2015, ING Bank's total RWA was EUR 309.8 billion, an increase of EUR 13.4 billion in the first half of 2015.

Credit RWA increased by EUR 8.6 billion to EUR 260.5 billion. Market RWA decreased by EUR 0.1 billion to EUR 10.6 billion, while operational RWA increased to EUR 38.7 billion. The latter was increased by EUR 5.0 billion, of which EUR 4.0 billion was the result of more weight given to external loss data, which has a more negative risk profile than ING's internal scenarios.

Risk management

ING Bank's NPL ratio improved to 2.8% in the first half year of 2015 with a coverage ratio of 36.6%, as result of both portfolio growth and reduction of NPLs. The funding profile remains strong with a loan-to-deposit ratio of 1.04 and successfully issued USD 2.25 billion of CRR/CRD IV compliant Additional Tier 1 securities.

Credit risk management

During the first half year of 2015, ING Bank's non-performing loans (NPLs) expressed as a percentage of lending credit outstandings decreased to 2.8% from 3.0% at the end of 2014. The reduction in the NPL ratio was driven by an improvement in the credit quality combined with an increase in credit outstandings, which resulted from accelerated asset production.

In Retail Netherlands, the NPL ratio for the Dutch mortgage book improved to 2.4% from 2.6% at the end of 2014, while the 90+ days overdue portfolio's NPL ratio fell to 1.2% compared with 1.4% at year-end 2014. The improvement in the credit quality of the underlying portfolio reflects the continued improvement of the Dutch housing market and Dutch economy. Non-performing loans for business lending NL remained unchanged, but the NPL ratio increased further to 8.3% due to a further reduction of credit outstandings. The NPL ratio and risk costs of business lending Netherlands are expected to remain at elevated levels in the coming quarters.

In Belgium, the NPL ratio for residential mortgages increased to 3.2% compared to 2.8% at year-end 2014 as a result of the further evolution of forbearance policies. In Retail Challengers and Growth Markets, the overall NPL ratio remained unchanged at 1.4%, whereby the NPL ratio of other lending in Other Challengers & Growth Markets slightly deteriorated by 0.2 percentage points to 3.4% compared with the end of 2014.

For Commercial Banking, the NPL ratio dropped to 3.0% from 3.3% at year-end 2014 driven by customer lending growth in strategic segments, mainly observable within Industry Lending. The NPL ratio in the Real Estate Finance portfolio went sharply down to 5.8% from 8.1% reported at the end of 2014, mainly on account of the restructuring of some large files. This was partially offset by the Structured Finance and General Lending portfolios, where higher net inflow in NPLs resulted in a deterioration of the NPL ratio.

On the ongoing Ukraine/Russia crisis, ING Bank continues to actively monitor and manage the exposures in these countries, while continuing to support its long-term clients. The outstandings to Russia decreased by EUR 0.5 billion to EUR 6.5 billion in the first half year of 2015. The quality of the portfolio remains strong with the NPL ratio remaining unchanged at 3%. ING's exposure in the Ukraine edged up to EUR 1.3 billion. The NPL ratio deteriorated to 52% from 35% at the end of 2014, which was mainly due to one large file. The Ukraine NPLs have a coverage ratio of 51%.

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ING Bank's stock of provisions remained unchanged at EUR 6.0 billion at the end of June 2015. Combined with reduced NPLs, ING Bank's coverage ratio increased to 36.6% from 35.5% at year-end 2014.

Securities portfolio

In the first six months of 2015, ING Bank's overall exposure to debt securities decreased to EUR 99.9 billion from EUR 108.1 billion. New investments in high-quality LCR-eligible bonds were more than offset by maturities, sales and decreased market values. Selective sales, mainly in Government and Financial Institutions bonds, were executed to facilitate modest capital gains. The revaluation reserve for debt securities dropped to EUR 1.4 billion after tax compared with EUR 1.6 billion at year-end 2014 largely due to an increase in interest rates.

Funding and liquidity

In the first half year of 2015, the funding markets were impacted by the Greek debt crisis causing additional volatility. Macro-economic news for the Eurozone on the other hand has been supportive, with GDP growth forecasts slowly continuing their upward trend and with the ECB Quantitative Easing programme starting to make its mark. In this climate, ING Bank issued EUR 10.1 billion of senior unsecured debt and RMBS, which were completely offset by maturities and redemptions. On top of this, ING Group also successfully issued USD 2.25 billion of CRR/CRD IV compliant Additional Tier 1 securities in order to further strengthen ING's capital base.

ING Bank's total eligible collateral position increased in the first six months to EUR 185 billion at market values compared to the EUR 183 billion at the end of 2014. This was due to an increase in deposits at central banks and Securities issued or guaranteed by sovereigns, central banks and multilateral development banks, partially offset by a decrease in liquid assets eligible at central banks. ING Bank's loan-to-deposit ratio, excluding securities that are recorded at amortised cost, remained unchanged at 1.04.

Market risk

The average Value-at-Risk (VaR) slightly increased to EUR 10 million compared to the average of EUR 9 million at year-end 2014. The overnight VaR for ING Bank's trading portfolio ranged from EUR 8 million to EUR 13 million.

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Other

Reference is made to Note 23 'Other events' in the Condensed consolidated interim accounts for information on the most important events in the first half of 2015, other than the information disclosed in this Interim report. In Note 22 'Related parties' in the Condensed consolidated interim accounts, information is provided on related party relationships and transactions. Both disclosures are deemed to be incorporated by reference here.

Looking ahead

ING's performance during the first half of 2015 demonstrates consistent delivery on its Think Forward priorities, to which ING holds itself accountable. Looking forward to the rest of this year, ING is confident that its franchise is well positioned to empower its customers around the world while delivering sustainable returns to its shareholders.

Conformity statement

The Management Board is required to prepare the Interim Accounts and the Interim Report of ING Bank N.V. for each financial period in accordance with applicable Dutch law and those International Financial Reporting Standards (IFRS) that were endorsed by the European Union.

Conformity statement pursuant to section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht)

The Management Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht), each of the signatories hereby confirms that to the best of his knowledge:

- the ING Bank N.V. interim accounts for the period ended 30 June 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of ING Bank N.V. and the entities included in the consolidation taken as a whole; and
- the ING Bank N.V. interim report for the period ended 30 June 2015 includes a fair review of the information required pursuant to article 5:25d, paragraph 8 of the Dutch Financial Supervision Act (Wet op het financieel toezicht) regarding ING Bank N.V. and the entities included in the consolidation taken as a whole.

Amsterdam, 4 August 2015

The Management Board Banking

R.A.J.G. Hamers

CEO, chairman of the Management Board Banking

J.V. Timmermans

Vice-chairman and Head of Market Leaders

P.G. Flynn

CFO

W.F. Nagel

CRO

R.M.M Louwhoff

COO

W.L. Connelly

Head of Commercial Banking

A. Bogdaneris

Head of Challengers & Growth Markets

Condensed consolidated balance sheet

as at

	30 June 2015	31 December 2014
in EUR million		
Assets		
Cash and balances with central banks	21,501	12,222
Amounts due from banks	39,689	37,122
Financial assets at fair value through profit and loss 2	146,586	144,023
Investments 3	92,430	97,640
Loans and advances to customers 4	542,351	518,119
Investments in associates and joint ventures 5	886	861
Real estate investments	79	80
Property and equipment	2,021	2,100
Intangible assets 6	1,613	1,655
Assets held for sale 7	26	729
Other assets 8	13,567	14,051
Total assets	860,749	828,602
Equity 9		
Shareholders' equity (parent)	38,805	38,064
Minority interests	576	622
Total equity	39,381	38,686
Liabilities		
Subordinated loans 10	16,994	16,599
Debt securities in issue 10	126,531	120,959
Amounts due to banks	39,429	30,003
Customer deposits and other funds on deposit	514,161	489,281
Financial liabilities at fair value through profit and loss 11	106,600	116,999
Other liabilities 12	17,653	16,075
Total liabilities	821,368	789,916
Total equity and liabilities	860,749	828,602

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

Condensed consolidated profit and loss account

in EUR million	3 month period 1 April to 30 June		6 month period 1 January to 30 June	
	2015	2014	2015	2014
Interest income	11,426	11,735	23,554	24,375
Interest expense	-8,269	-8,656	-17,177	-18,230
Interest result	3,157	3,079	6,377	6,145
Investment income 13	24	38	137	147
Commission income	584	595	1,189	1,155
Other income 14	820	152	1,260	476
Total income	4,585	3,864	8,963	7,924
Addition to loan loss provisions 4	353	405	785	872
Staff expenses 15	1,272	1,223	2,529	3,356
Other operating expenses 16	958	993	1,949	2,023
Total expenses	2,583	2,621	5,263	6,251
Result before tax	2,002	1,243	3,700	1,672
Taxation	466	354	931	461
Net result (before minority interests)	1,536	889	2,769	1,211
Attributable to:				
Shareholder of the parent	1,516	872	2,732	1,166
Minority interests	20	17	37	45
	1,536	889	2,769	1,211

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

Condensed consolidated statement of comprehensive income

in EUR million	3 month period 1 April to 30 June		6 month period 1 January to 30 June	
	2015	2014	2015	2014
Net result for the period	1,536	889	2,769	1,211
Other comprehensive income				
Items that will not be reclassified to the profit and loss account:				
Remeasurement of the net defined benefit asset/liability 18	19	-56	15	-207
Unrealised revaluations property in own use	-2	-11	-2	-12
Items that may be reclassified subsequently to the profit and loss account:				
Unrealised revaluations available-for-sale investments and other	-58	340	564	609
Realised gains/losses transferred to the profit and loss account	-4	-21	-82	-93
Changes in cash flow hedge reserve	-742	496	-682	905
Exchange rate differences and other	-349	190	281	196
Total comprehensive income	400	1,827	2,863	2,609
Comprehensive income attributable to:				
Shareholder of the parent	460	1,775	2,878	2,522
Minority interests	-60	52	-15	87
	400	1,827	2,863	2,609

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

Condensed consolidated statement of cash flows

in EUR million		6 month period	
		2015	2014
Cash flows from operating activities			
Result before tax		3,699	1,672
Adjusted for:	- depreciation	302	294
	- addition to loan loss provisions	785	872
	- other	39	1,117
Taxation paid		-551	-408
Changes in:	- amounts due from banks, not available on demand	95	918
	- trading assets	-3,461	-13,016
	- non-trading derivatives	-299	-1,060
	- other financial assets at fair value through profit and loss	-301	-1,293
	- loans and advances to customers	-23,416	-8,899
	- other assets	849	-2,213
	- amounts due to banks, not payable on demand	8,086	2,851
	- customer deposits and other funds on deposit	23,418	16,240
	- trading liabilities	-8,413	6,288
	- other financial liabilities at fair value through profit and loss	-803	219
	- other liabilities	1,422	1,704
Net cash flow from/(used in) operating activities		1,451	5,286
Cash flows from investing activities			
Investments and advances:	- available-for-sale investments	-23,782	-45,438
	- other investments	-2,193	-303
Disposals and redemptions:	- group companies (including cash in company disposed)		-398
	- associates and joint ventures	41	125
	- available-for-sale investments	30,822	32,294
	- loans	2,198	698
	- other investments	992	622
Net cash flow from/(used in) investing activities		8,078	-12,400
Cash flows from financing activities			
Proceeds from borrowed funds and debt securities		71,306	79,213
Repayments of borrowed funds and debt securities		-69,075	-72,409
Dividend paid 17		-1,000	-1,225
Net cash flow from/(used in) financing activities		1,231	5,579
Net cash flow		10,760	-1,535
Cash and cash equivalents at beginning of period		10,863	13,509
Effect of exchange rate changes on cash and cash equivalents		-357	-96
Cash and cash equivalents at end of period		21,266	11,878
Cash and cash equivalents comprises the following items:			
Treasury bills and other eligible bills		1,015	1,078
Amounts due from/to banks		-1,250	-1,534
Cash and balances with central banks		21,501	12,334
Cash and cash equivalents at end of the period		21,266	11,878

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

Condensed consolidated statement of changes in equity

in EUR million	Share capital	Share premium	Reserves	Total shareholders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2015	525	16,542	20,997	38,064	622	38,686
Remeasurement of the net defined benefit asset/liability 18			15	15		15
Unrealised revaluations property in own use			-2	-2		-2
Unrealised revaluations available-for-sale investments and other			581	581	-17	564
Realised gains/losses transferred to the profit and loss account			-82	-82		-82
Changes in cash flow hedge reserve			-636	-636	-46	-682
Exchange rate differences and other			270	270	11	281
Total amount recognised directly in equity (other comprehensive income)			146	146	-52	94
Net result for the period			2,732	2,732	37	2,769
Total comprehensive income			2,878	2,878	-15	2,863
Employee stock options and share plans			38	38		38
Changes in the composition of the group and other changes			25	25		25
Dividends			-2,200	-2,200	-31	-2,231
Balance as at 30 June 2015	525	16,542	21,738	38,805	576	39,381

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

Changes in individual components are presented in Note 9 'Equity'.

in EUR million	Share capital	Share premium	Reserves	Total shareholders' equity (parent)	Minority interests	Total equity
Balance as at 1 January 2014	525	16,542	15,738	32,805	955	33,760
Remeasurement of the net defined benefit asset/liability			-207	-207		-207
Unrealised revaluations property in own use			-12	-12		-12
Unrealised revaluations available-for-sale investments and other			609	609		609
Realised gains/losses transferred to the profit and loss account			-93	-93		-93
Changes in cash flow hedge reserve			878	878	27	905
Exchange rate differences and other			181	181	15	196
Total amount recognised directly in equity (other comprehensive income)			1,356	1,356	42	1,398
Net result for the period			1,166	1,166	45	1,211
Total comprehensive income			2,522	2,522	87	2,609
Employee stock options and share plans			22	22		22
Changes in the composition of the group and other changes					-451	-451
Dividends			-1,225	-1,225	-34	-1,259
Balance as at 30 June 2014	525	16,542	17,057	34,124	557	34,681

Notes to the Condensed consolidated interim accounts

Notes to the accounting policies

1 Accounting policies

These Condensed consolidated interim accounts of ING Bank N.V. ('ING Bank') have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and are consistent with those set out in the notes to the 2014 ING Bank Consolidated Annual Accounts.

These Condensed consolidated interim accounts should be read in conjunction with the 2014 ING Bank Consolidated Annual Accounts.

IFRS-EU provide several options in accounting principles. ING Bank's accounting principles under IFRS-EU and its decision on the options available are set out in Note 1 'Accounting policies' in the 2014 ING Bank Consolidated Annual Accounts.

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

The presentation of and certain terms used in these Condensed consolidated interim accounts may have been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the relevant notes when significant.

Changes in accounting policies in 2015

There were no changes in accounting policies effective from 1 January 2015.

Changes in IFRS-EU

New and/or amended IFRS-EU standards under the Annual Improvements Cycle: 2011 – 2013, effective 1 January 2015, were adopted by ING Bank. The implementation of these amendments had no or no material effect on the Condensed consolidated interim accounts of ING Bank.

Other significant changes

ING Vysya Bank

In April 2015, the merger between ING Vysya Bank ('ING Vysya') and Kotak Mahindra Bank ('Kotak') was completed and the legal entity ING Vysya ceased to exist. As a result of this transaction, ING now holds a stake of 6.5% in the combined company, which will operate under the Kotak brand. The transaction resulted in a gain of EUR 367 million in the second quarter of 2015 and is recognised in Other income – 'Result from associates and joint ventures'. The transaction did not materially impact the shareholders' equity of ING Group. As at 30 June 2015, ING accounts for the investment in Kotak as an Available-for-sale equity investment.

For further information, reference is made to Note 3 'Investments', Note 14 'Other income' and Note 23 'Other events'

Significant upcoming changes in IFRS-EU after 2015

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the International Accounting Standards Board ('IASB') issued IFRS 15 'Revenue from Contracts with Customers'. The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 is not yet endorsed by the EU. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue as and when the agreed performance

Notes to the Condensed consolidated interim accounts

obligations are satisfied. The standard should be applied retrospectively, with certain exceptions. ING is currently assessing the impact of this standard.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014. The new requirements become effective as of 1 January 2018. IFRS 9 is not yet endorsed by the EU. IFRS 9 is replacing IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being recognised at amortised cost, fair value through OCI ('FVOCI') or fair value through profit and loss. In many instances, the classification and measurement outcomes will be similar to IAS 39, although certain differences will arise. The classification of financial liabilities is essentially the same. Except for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in OCI.

Impairment

The recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. The impairment requirements apply to financial assets measured at amortised cost, FVOCI, lease receivables, and certain loan commitments and financial guarantee contracts. Initially, a provision is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12 month ECL'). In the event of a significant increase in credit risk, a provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Hedge accounting

The hedge accounting requirements of IFRS 9 aims to simplify general hedge accounting requirements. Furthermore, IFRS 9 aims to create a stronger link between financial accounting and the risk management strategy and permits a greater variety of hedging instruments and risks. The standard does not address macro fair value hedge account strategies.

Application

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at 1 January 2018, with no requirement to restate comparative periods. Hedge accounting is applied prospectively from that date.

Expected impact

ING is currently assessing the impact of this standard. The implementation of IFRS 9, if and when endorsed by the EU, may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income.

Notes to the Condensed consolidated interim accounts

Notes to the Condensed consolidated balance sheet

2 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss		
	30 June 2015	31 December 2014
Trading assets	140,429	136,964
Non-trading derivatives	3,407	4,303
Designated as at fair value through profit and loss	2,750	2,756
	146,586	144,023

Trading assets and trading liabilities include assets and liabilities that are classified under IFRS-EU as 'Trading' but are closely related to servicing the needs of the clients of ING Bank. ING Bank offers institutional and corporate clients and governments products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING Bank 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-EU, 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 Bank as part of its own regular treasury activities, but also relate to the role that ING Bank plays as intermediary between different professional customers. Trading assets and liabilities held for ING's own risk are very limited. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the balance sheet. However, IFRS-EU does not allow netting of these positions in the balance sheet. Reference is made to Note 11 'Financial liabilities at fair value through profit and loss' for information on trading liabilities.

3 Investments

Investments by type		
	30 June 2015	31 December 2014
Available-for-sale		
- equity securities - shares in third party managed structured entities	158	210
- equity securities - other	4,353	2,508
	4,511	2,718
- debt securities	81,385	92,683
	85,896	95,401
Held-to-maturity		
- debt securities	6,534	2,239
	6,534	2,239
	92,430	97,640

In the second quarter of 2015, the merger between ING Vysya Bank and Kotak Mahindra Bank ('Kotak') was completed. As a result of this transaction, ING Bank now holds 6.5% in Kotak at EUR 1.1 billion as at 30 June

Notes to the Condensed consolidated interim accounts

2015. Reference is made to Note 7 'Assets and liabilities held for sale', Note 14 'Other income' and Note 23 'Other events'.

In the first quarter of 2015, EUR 3.5 billion of mainly Government bonds previously classified as Investments Available-for-sale are classified as Investments Held-to-maturity. These Government bonds are now expected to be held until their redemption dates. The remainder of the decrease in the first half of 2015 relates to lower positions in Government bonds held in Germany, Australia and Belgium.

Investments held-to-maturity increased by EUR 4.3 billion. The increase is attributable to the classification from Investments Available-for-sale as mentioned above and additional investments in Government bonds.

Exposure to debt securities

ING Bank's exposure to debt securities is included in the following balance sheet lines:

Debt securities		30 June 2015	31 December 2014
Available-for-sale investments		81,385	92,683
Held-to-maturity investments		6,534	2,239
Loans and advances to customers		9,681	10,579
Amounts due from banks		2,313	2,584
Available-for-sale investments and Assets at amortised cost		99,913	108,085
Trading assets		18,221	21,584
Designated as at fair value through profit and loss		915	1,124
Financial assets at fair value through profit and loss		19,136	22,708
		119,049	130,793

ING Bank's total exposure to debt securities included in available-for-sale investments and assets at amortised cost is specified as follows:

Debt securities by type and balance sheet lines - Available-for-sale investments and Assets at amortised cost										
	Available-for-sale investments		Held-to-maturity investments		Loans and advances to customers		Amounts due from banks		Total	
	30 June 2015	31 De- cember 2014	30 June 2015	31 De- cember 2014	30 June 2015	31 De- cember 2014	30 June 2015	31 De- cember 2014	30 June 2015	31 De- cember 2014
Government bonds	58,414	68,198	3,932	315	1,155	1,146			63,501	69,659
Covered bonds	10,793	10,828	600	1,567	2,118	2,810	2,205	2,526	15,716	17,731
Corporate bonds	1,307	1,935	224		1,001	919			2,532	2,854
Financial institutions' bonds	9,735	11,022	1,421		292	386	61	58	11,509	11,466
ABS portfolio	1,136	700	357	357	5,115	5,318	47		6,655	6,375
Bond portfolio	81,385	92,683	6,534	2,239	9,681	10,579	2,313	2,584	99,913	108,085

Reclassifications to Loans and advances to customers and Amounts due from banks (2009 and 2008)

Reclassifications out of available-for-sale investments to loans and receivables are allowed under IFRS-EU as of the third quarter of 2008. In the first quarter of 2009 and in the fourth quarter of 2008 ING Bank reclassified certain financial assets from Investments available-for-sale to Loans and advances to customers and Amounts due from banks. ING Bank identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table below provides information on the two

Notes to the Condensed consolidated interim accounts

reclassifications made in the fourth quarter of 2008 and the first quarter of 2009. Information is provided for each of the two reclassifications as at the date of reclassification and as at the end of the subsequent reporting periods. This information is disclosed under IFRS-EU as long as the reclassified assets continue to be recognised in the balance sheet.

Reclassifications to Loans and advances to customers and Amounts due from banks

	Q1 2009	Q4 2008
As per reclassification date		
Fair value	22,828	1,594
Range of effective interest rates (weighted average)	2.1%-11.7%	4.1%-21%
Expected recoverable cash flows	24,052	1,646
Unrealised fair value gains/losses in shareholders' equity (before tax)	-1,224	-69
Recognised fair value gains (losses) in shareholders' equity (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil	-79
Recognised fair value gains (losses) in shareholders' equity (before tax) in the year prior to reclassification	-192	-20
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification	nil	nil
Recognised impairment (before tax) in the year prior to reclassification	nil	nil

Reclassifications to Loans and advances to customers and Amounts due from banks – Q1 2009

	30 June 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Impact on the period/years after reclassification							
Carrying value as at	4,742	5,936	7,461	8,707	14,419	16,906	20,551
Fair value as at	4,751	5,982	7,215	8,379	13,250	16,099	20,175
Unrealised fair value gains/losses recognised in shareholders' equity (before tax) as at	-80	-98	-137	-221	-446	-633	-902
Effect on shareholders' equity (before tax) if reclassification had not been made	9	46	-246	-328	-1,169	-807	-376
Effect on result (before tax) for the period/year if reclassification had not been made	nil	nil	nil	nil	nil	nil	nil
Effect on result (before tax) for the period/year (mainly interest income)	66	182	188	219	390	467	629
Effect on result (before tax) for the period/year (mainly sales results)	nil	n.a	n.a	-383	n.a	n.a	n.a
Recognised impairments (before tax) for the period/year	nil	nil	nil	nil	nil	nil	nil
Recognised provision for credit losses (before tax) for the period/year	nil	nil	nil	nil	nil	nil	nil

The decrease in the carrying value of the reclassified Loans and advances in 2012 compared to 2011 was mainly due to disposals.

Notes to the Condensed consolidated interim accounts

Reclassifications to Loans and advances to customers and Amounts due from banks – Q4 2008

	30 June 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
Impact on the period/years after reclassification								
Carrying value as at	364	361	366	443	633	857	1,189	1,592
Fair value as at	421	426	422	512	648	889	1,184	1,565
Unrealised fair value gains/losses recognised in shareholders' equity (before tax) as at	nil	nil	nil	-2	-8	-65	-67	-79
Effect on shareholders' equity (before tax) if reclassification had not been made	57	65	56	69	15	32	-5	-28
Effect on result (before tax) for the period/year if reclassification had not been made	nil	nil						
Effect on result (before tax) for the period/year (mainly interest income)	9	19	20	22	28	34	47	9
Effect on result (before tax) for the period/year (mainly sales results)	nil	n.a						
Recognised impairments (before tax) for the period/year	nil	nil						
Recognised provision for credit losses (before tax) for the period/year	nil	nil						

4 Loans and advances to customers

Loans and advances to customers by type

	30 June 2015	31 December 2014
Loans to, or guaranteed by, public authorities	51,751	45,398
Loans secured by mortgages	287,689	287,817
Loans guaranteed by credit institutions	1,365	1,997
Personal lending	29,763	28,393
Asset backed securities	5,116	5,318
Corporate loans	172,640	155,185
	548,324	524,108
Loan loss provisions	-5,973	-5,989
	542,351	518,119

Notes to the Condensed consolidated interim accounts

Changes in loan loss provisions			
	6 month period ended 30 June 2015	year ended 31 December 2014	
Opening balance	5,995	6,154	
Write-offs	-916	-1,729	
Recoveries	42	104	
Increase in loan loss provisions	785	1,594	
Exchange rate differences	47	37	
Changes in the composition of the group and other changes	26	-165	
Closing balance	5,979	5,995	

In 2014, Changes in the composition of the group and other changes includes EUR -170 million related to the deconsolidation of ING Vysya. Reference is made to Note 7 'Assets and liabilities held for sale' and Note 23 'Other events'.

The loan loss provision at 30 June 2015 of EUR 5,979 million (31 December 2014: EUR 5,995 million) is presented in the balance sheet under Loans and advances to customers and Amounts due from banks for EUR 5,973 million (31 December 2014: EUR 5,989 million) and EUR 6 million (31 December 2014: EUR 6 million) respectively.

5 Investments in associates and joint ventures

Investments in associates and joint ventures	30 June 2015			31 December 2014		
	Interest held (%)	Fair value of listed investment	Balance sheet value	Interest held (%)	Fair value of listed investment	Balance sheet value
TMB Public Company Limited	25	680	604	25	801	558
Appia Group	30		43	30		35
Ontwikkelingscombinatie Overhoeks C.V. ⁽¹⁾				70		36
Ivy Retail SRL	50		36	50		33
Other investments in associates and joint ventures			203			199
			886			861

(1) Disposed during the first half of 2015.

TMB Public Company Limited

TMB Public Company Limited ('TMB'), is a public listed retail bank in Thailand.

Other investments in associates and joint ventures

ING Bank does not hold any interests in Investments in Associates and joint ventures that are individually significant to ING Bank. Other investments in associates and joint ventures represents a large number of associates and joint ventures with an individual balance sheet value of less than EUR 25 million.

Notes to the Condensed consolidated interim accounts

6 Intangible assets

Intangible assets		
	30 June 2015	31 December 2014
Goodwill	1,024	1,061
Software	556	574
Other	33	20
	1,613	1,655

Goodwill

Goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting units		
	30 June 2015	31 December 2014
Retail Belgium	50	50
Retail Germany	349	349
Retail Central Europe	601	638
Commercial Banking	24	24
	1,024	1,061

No goodwill impairment was recognised in the first half of 2015 (first half of 2014: nil). Changes in the goodwill per reporting unit in the first half of 2015 are mainly due to changes in currency exchange rates.

Goodwill impairment testing

Impairment reviews with respect to goodwill are performed at least annually and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the so called 'reporting units' as set out above. Goodwill is tested for impairment by comparing the carrying value of the reporting unit to the best estimate of the recoverable amount of the reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. For further information on the accounting policies applied by ING Bank, refer to the 2014 ING Bank Consolidated Annual Accounts.

7 Assets and liabilities held for sale

Assets and liabilities held for sale includes disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses and other significant investments for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed.

As at 31 December 2014, Assets held for sale related to the associates ING Vysya Bank and to ING Nationale Nederlanden PTE Polska, SA. As at 31 December 2014, the Investment in associate of 43% in ING Vysya amounted to EUR 704 million.

Notes to the Condensed consolidated interim accounts

Assets held for sale

	30 June 2015	31 December 2014
Investments in associates and joint ventures	26	729
	26	729

In the first half of 2015, Assets held for sale decreased by EUR 703 million. The decrease is related to the completion of the merger of ING Vysya Bank and Kotak Mahindra Bank in April 2015, resulting in derecognition of the share held in ING Vysya and recognition of the investment in Kotak as an available-for-sale equity investment.

Reference is made to Note 3 'Investments', Note 14 'Other income' and Note 23 'Other events'.

8 Other assets

Other assets by type

	30 June 2015	31 December 2014
Net defined benefit assets	593	589
Deferred tax assets	1,256	1,126
Property development and obtained from foreclosures	317	405
Income tax receivable	190	289
Accrued interest and rents	6,193	6,887
Other accrued assets	817	590
Other	4,201	4,165
	13,567	14,051

Other assets - Other relates mainly to transactions still to be settled at balance sheet date.

9 Equity

Total equity

	30 June 2015	31 December 2014
Share capital	525	525
Share premium	16,542	16,542
Revaluation reserve	4,641	4,781
Currency translation reserve	-338	-609
Net defined benefit asset/liability remeasurement reserve	-355	-370
Other reserves	17,790	17,195
Shareholders' equity (parent)	38,805	38,064
Minority interests	576	622
Total equity	39,381	38,686

Net defined benefit asset/liability remeasurement reserve

In the first half of 2015, the change in the Net defined benefit asset/liability remeasurement reserve relates mainly to a increase in the discount rate. Reference is made to Note 18 'Pension and other post-employment benefits'.

Notes to the Condensed consolidated interim accounts

Other reserves

The change in Other reserves includes EUR 2,732 million comprising the net result for the first half of 2015 offset by EUR 2,200 million dividend upstream to ING Groep N.V.

10 Subordinated loans and Debt securities in issue

Subordinated loans

The increase in the first half of 2015 of EUR 0.4 billion, primarily reflects an increase in capital as ING Group issued USD 2.25 billion securities that qualify as Additional Tier 1 under CRD IV/CRR. The issuance on 16 April 2015 was in the form of USD denominated Perpetual Additional Tier 1 Contingent Convertible Capital Securities and comprised two separate tranches: a USD 1 billion Perpetual Non-Callable 5 Year with coupon 6.0%; and a USD 1.25 billion Perpetual Non-Callable 10 Year with coupon 6.5%. The securities are subject to full conversion into ordinary shares of ING Bank in the event that ING Bank's phased-in CET1 ratio would fall below 7.0%. These securities were on-lent to ING Bank partially replacing internal securities. The remaining change is due to decreased Tier 2 funding, offset by an increase attributable to changes in foreign exchange rates.

Debt securities in issue

The increase in Debt securities in issue of EUR 5.6 billion in the first half of 2015 is mainly attributable due to an increase in commercial paper of EUR 4.0 billion, largely driven by the depreciation of the Euro against the US Dollar; and an increase in senior unsecured bonds of EUR 3.1 billion. These were offset by a decreased of EUR 1.8 billion in certificates of deposit due to reduced funding requirements.

11 Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss		
	30 June 2015	31 December 2014
Trading liabilities	88,673	97,091
Non-trading derivatives	4,899	6,357
Designated as at fair value through profit and loss	13,028	13,551
	106,600	116,999

The change in the fair value of financial liabilities designated as at fair value through profit and loss attributable to changes in credit risk in the first half of 2015 includes EUR 103 million (first half of 2014: EUR – 74 million; entire year 2014: EUR –98 million) and EUR –180 million (31 December 2014: EUR –282 million) on a cumulative basis. This change has been determined as the amount of change in fair value of the financial liability that is not attributable to changes in market conditions that gave rise to market risk (i.e. market interest rate risk based on yield curves). Reference is made to Note 2 'Financial assets at fair value through profit and loss'.

Notes to the Condensed consolidated interim accounts

12 Other liabilities

Other liabilities by type		
	30 June 2015	31 December 2014
Deferred tax liabilities	735	872
Income tax payable	721	442
Net defined benefit liability ⁽¹⁾	510	607
Other post-employment benefits	97	101
Other staff-related liabilities	327	408
Other taxation and social security contributions	574	584
Accrued interest	4,742	5,652
Costs payable	1,886	1,713
Reorganisation provisions	634	728
Other provisions	245	289
Amounts to be settled	3,259	2,475
Other	3,923	2,204
	17,653	16,075

(1) Reference is made to Note 18 'Pension and other post-employment benefits'.

Other liabilities – other as at 30 June 2015 includes dividend payable to ING Groep N.V. amounting to EUR 1,200 million (31 December 2014: nil)

Notes to the Condensed consolidated interim accounts

Notes to the Condensed consolidated profit and loss account

13 Investment income

Investment income	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2015	2014	2015	2014
Income from real estate investments	1	2	2	4
Dividend income	6	7	6	9
Realised gains/losses on disposal of debt securities	36	26	112	124
Reversal of impairments of available-for-sale debt securities				1
Realised gains/losses on disposal of equity securities	6	3	55	10
Impairments of available-for-sale equity securities	-25		-38	-1
	24	38	137	147

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

In the second quarter of 2015, investment income includes impairments of EUR -25 million related to Commercial Banking.

In the first half of 2015, investment income includes impairments of EUR -36 million and EUR -2 million related to segments Commercial Banking and Retail Belgium respectively (first half of 2014: impairments and reversals of EUR 1 million each in Commercial Banking).

In the first half of 2015, there were no reversals of impairments.

14 Other income

Other income	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2015	2014	2015	2014
Result on disposal of group companies	1	1	1	199
Valuation results on non-trading derivatives	179	-129	263	-37
Net trading income	307	264	579	246
Result from associates and joint ventures	394	18	416	39
Other	-61	-2	1	29
	820	152	1,260	476

Result on disposal of group companies

In the first half of 2014, Result on disposal of group companies included EUR 202 million profit on the deconsolidation of ING Vysya. Reference is made to Note 5 'Investments in associates' and Note 23 'Other events'.

Valuation results on non-trading derivatives

In the second quarter of 2015, Valuation results on non-trading derivatives includes DVA adjustments on own issued notes designated at fair value, amounting to EUR 98 million (second quarter of 2014: EUR -45 million).

In the first half of 2015, Valuation results on non-trading derivatives includes DVA adjustments on own issued notes designated at fair value, amounting to EUR 103 million (first half of 2014: EUR -74 million).

Included in the Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. Valuation results on non-

Notes to the Condensed consolidated interim accounts

trading derivatives are reflected in the Condensed consolidated statement of cash flows in the line 'Result before tax - Adjusted for: other'.

Net trading income

In the second quarter of 2015, Net trading income includes EUR 137 million CVA/DVA adjustments on trading derivatives, compared with EUR 8 million CVA/DVA adjustment in the second quarter of 2014.

In the second quarter of 2015, Net trading income includes EUR -195 million (second quarter of 2014: EUR 18 million) foreign exchange results.

In the first half of 2015, Net trading income includes EUR 119 million CVA/DVA adjustments on trading derivatives, compared with EUR -90 million CVA/DVA adjustment in the first half of 2014.

Trading income mainly relates to trading assets and trading liabilities which include mainly assets and liabilities that are classified under IFRS-EU as 'Trading' but are closely related to servicing the needs of the clients of ING Bank. ING Bank offers institutional and corporate clients and governments products that are traded on the financial markets. A significant part of the derivatives in the trading portfolio are related to servicing corporate clients in their risk management to hedge for example currency or interest rate exposures. In addition, ING Bank 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-EU, these are related to services to ING's customers. Loans and receivables in the trading portfolio mainly relate to (reverse) repurchase agreements, which are comparable to collateralised borrowing (lending). These products are used by ING Bank as part of its own regular treasury activities, but also relate to the role that ING Bank plays as intermediary between different professional customers. Trading assets and liabilities held for ING's own risk are very limited. From a risk perspective, the gross amount of trading assets must be considered together with the gross amount of trading liabilities, which are presented separately on the balance sheet. However, IFRS-EU does not allow offsetting of these positions in the balance sheet. Reference is made to Note 2 'Financial assets at fair value through profit and loss' and Note 11 'Financial liabilities at fair value through profit and loss' for information on trading assets and liabilities.

Result from associates and joint ventures

In the second quarter of 2015, Result from associates and joint ventures includes a gain of EUR 367 million from the merger of ING Vysya Bank with Kotak Mahindra Bank. Reference is made to Note 3 'Investments', Note 7 'Assets and liabilities held for sale and Note 23 'Other events'.

In the first half of 2015, Result from associates and joint ventures includes the gain from the merger of ING Vysya with Kotak and a gain on sale of Ontwikkelingscombinatie Overhoeks C.V. in the first quarter of 2015 of EUR 5 million.

Other

Other Income - Other is mainly impacted by non-recurring charges related to increased prepayments and renegotiations of mortgages.

Notes to the Condensed consolidated interim accounts

15 Staff expenses

Staff expenses	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2015	2014	2015	2014
Salaries	824	782	1,624	1,585
Pension costs	88	83	178	1,043
Other staff-related benefit costs	-11	8	-3	16
Social security costs	132	129	264	261
Share-based compensation arrangements	26	8	38	22
External employees	153	156	314	321
Education	17	16	31	28
Other staff costs	43	41	83	80
	1,272	1,223	2,529	3,356

In the first half of 2014, a charge of EUR 871 million was recognised in Pensions costs related to the Dutch defined benefit plan settlement. Reference is made to Note 18 'Pension and other post-employment benefits' for information on pensions.

16 Other operating expenses

Other operating expenses	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2015	2014	2015	2014
Depreciation of property and equipment	80	79	158	162
Amortisation of software	64	58	132	113
Computer costs	188	164	368	338
Office expenses	152	152	310	311
Travel and accommodation expenses	43	38	81	72
Advertising and public relations	103	103	203	202
External advisory services	62	56	114	100
Postal charges	13	15	29	32
Addition/(releases) of provisions for reorganisations and relocations	16	14	15	18
Intangible amortisation and (reversals of) impairment	8	26	20	40
Other	229	288	519	635
	958	993	1,949	2,023

In the second quarter of 2015, Intangible amortisation and (reversals) of impairments include EUR 5 million (second quarter of 2014: EUR 15 million) impairment losses which were recognised on Property development relating to real estate development projects and properties obtained from foreclosures.

In the first half of 2015, EUR 8 million (first half of 2014: EUR 16 million) impairment losses were recognised on Property development relating to real estate development projects and properties obtained from foreclosures and EUR 9 million (first half of 2014: EUR 12 million) impairment losses on Property and equipment.

The nationalisation of SNS Reaal in 2013 had as a consequence, a one-time levy of EUR 1 billion to be paid by ING Bank and other Dutch banks. For ING, this resulted in a total charge of EUR 304 million in 2014. In accordance with the relevant legislation, the levy was charged in three equal instalments. In the first half of 2014, a charge of EUR 203 million was recognised in the line Other operating expenses – Other.

Notes to the Condensed consolidated interim accounts

17 Dividend paid

During the first half of 2015 a dividend was up streamed to ING Groep N.V. amounting to EUR 2,200 million (In the first half of 2014: EUR 1,225 million).

18 Pension and other post-employment benefits

In 2014, ING reached final agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees (VSI) to transfer all future funding and indexation obligations under ING's closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:

- › Responsibility for future indexation and funding thereof is transferred to the Dutch ING Pension Fund;
- › ING's obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- › The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- › ING paid EUR 549 million (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- › ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, ING Bank is released from all financial obligations arising out of the Dutch defined benefit plan. Accordingly, this plan is no longer accounted for as a defined benefit plan and consequently, it has been removed from ING's balance sheet in 2014. In 2014, the removal of the net pension asset related to the Dutch defined benefit pension fund from ING's balance sheet of EUR 770 million (EUR 578 million after tax), the payment to the Dutch ING Pension Fund of EUR 549 million (EUR 412 million after tax), the compensation for lower employee contribution of EUR 80 million (EUR 60 million after tax) and other impacts resulted in a charge in the first quarter of 2014 of EUR 1,413 million (EUR 1,060 million after tax). EUR 871 million (EUR 653 million after tax) of this charge was allocated to ING Bank.

Balance sheet - Net defined benefit asset/liability

Summary of net defined benefit asset/liability		
	30 June 2015	31 December 2014
Fair value of plan assets	3,232	3,108
Defined benefit obligation	3,149	3,126
Funded status (Net defined benefit asset/(liability))	83	-18
Presented as:		
- Other assets	593	589
- Other liabilities	-510	-607
	83	-18

Notes to the Condensed consolidated interim accounts

Changes in the fair value of plan assets for the period were as follows:

Changes in fair value of plan assets		
	6 month period ended 30 June 2015	year ended 31 December 2014
Opening balance	3,108	15,164
Interest income	35	172
Remeasurements: Return on plan assets excluding amounts included in interest income	-68	1,009
Employer's contribution	11	643
Participants contributions	12	7
Benefits paid	-59	-178
Effect of curtailment or settlement		-13,788
Exchange rate differences	193	120
Changes in the composition of the group and other changes		-41
Closing balance	3,232	3,108

Effect of curtailment or settlement

In 2014, EUR -13,788 million was recognised in Effect of curtailment or settlement related to the Dutch defined benefit plan settlement as a result of the agreement that made the ING Pension Fund financially independent from ING.

Changes in composition of the group and other changes

In 2014, Changes in the composition of the group and other changes included EUR -47 million as a result of the deconsolidation of ING Vysya. Reference is made to Note 7 'Assets and liabilities held for sale' and Note 23 'Other events'.

Changes in the present value of the defined benefit obligation for the period were as follows:

Changes in defined benefit obligation		
	6 month period ended 30 June 2015	year ended 31 December 2014
Opening balance	3,126	14,825
Current service cost	17	35
Interest cost	34	173
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions	-4	7
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	-113	1,198
Participants' contributions	1	1
Benefits paid	-62	-181
Past service cost		-3
Effect of curtailment or settlement	1	-12,983
Exchange rate differences	149	101
Changes in the composition of the group and other changes		-47
Closing balance	3,149	3,126

Notes to the Condensed consolidated interim accounts

Effect of curtailment or settlement

In 2014, EUR -12,983 million was recognised in Effect of curtailment or settlement related to the Dutch defined benefit plan settlement as a result of the agreement that made the ING Pension Fund financially independent from ING.

Changes in composition of the group and other changes

In 2014, Changes in the composition of the group and other changes of the Defined benefit obligation included EUR -53 million related to the deconsolidation of ING Vysya. Reference is made to Note 7 'Assets and liabilities held for sale' and Note 23 'Other events'.

Amounts recognised directly in Other comprehensive income (equity) were as follows:

Changes in the net defined benefit assets/liability remeasurement reserve		
	6 month period ended 30 June 2015	year ended 31 December 2014
Opening balance	-370	-2,671
Remeasurement of plan assets	-68	1,009
Actuarial gains and losses arising from changes in demographic assumptions	4	-7
Actuarial gains and losses arising from changes in financial assumptions	113	-1,198
Taxation	-34	108
Total Other comprehensive income movement for the period/year	15	-88
Transfer to Other reserves (pension settlement)		2,389
Closing balance	-355	-370

The change in the remeasurement of the net defined benefit asset/liability in the first half of 2015 is mainly a result of deconsolidation of NN Group and an increase in discount rates. The weighted average discount rate as at 30 June 2015 was 3.0% (31 December 2014: 2.6%). The change in this rate impacts both the Remeasurement of plan assets and Actuarial gains and losses arising from changes in financial assumptions.

The amount of the remeasurement of the net defined benefit asset/liability in 2014 was mainly a result of the change in the high quality corporate bond rate.

In 2014, EUR 2,235 million was recognised in Transfer to Other reserves (pension settlement) related to the Dutch defined benefit plan settlement.

The accumulated amount of remeasurements recognised directly in Other comprehensive income (equity) is EUR -546 million (EUR -355 million after tax) as at 30 June 2015 (31 December 2014: EUR -583 million; EUR -370 million after tax).

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Profit and loss account – Pension costs

Staff expenses - Pension costs	3 month period		6 month period	
	1 April to 30 June		1 January to 30 June	
	2015	2014	2015	2014
Current service cost	8	7	17	18
Past service cost		-2		-1
Net interest cost	-3	-2	-1	
Effect of curtailment or settlement			1	871
Defined benefit plans	5	3	17	888
Defined contribution plans	83	80	161	155
	88	83	178	1,043

Defined benefit plans

In the first half of 2014, a charge of EUR 871 million was recognised in Effect of curtailment or settlement related to the Dutch defined benefit plan settlement.

Defined contribution plans

Certain group companies sponsor defined contribution pension plans. The assets of all ING Bank's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of remuneration. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in other assets/liabilities.

Notes to the Condensed consolidated interim accounts

Segment reporting

19 Segments

ING Bank's segments are based on the internal reporting structure by lines of business.

The following table specifies the segment and the main sources of income of each of the segments:

Specification of the main sources of income of each of the segments	
Segment	Main source of income
Retail Netherlands <i>(Market Leaders)</i>	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 <i>(Market Leaders)</i>	Income from retail and private banking activities in Belgium, including the SME and mid-corporate segments. The main products offered are similar to those in the Netherlands.
Retail Germany <i>(Challengers and Growth Markets)</i>	Income from retail and private banking activities in Germany. The main products offered are current and savings accounts, mortgages and other customer lending.
Retail Other <i>(Challengers and Growth Markets)</i>	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.
Commercial Banking	Income from wholesale banking activities (a full range of products is offered from cash management to corporate finance), real estate and lease.

In line with the segment reporting in the 2014 ING Bank Consolidated Annual Accounts, the geographical segments for the results of ING Bank have been included on page 41.

The Management Board Banking sets the performance targets, approve and monitor the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by the Management Board.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies' of the 2014 ING Bank Consolidated Annual Accounts. 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.

As of 1 January 2015, the segment Retail Rest of the World is renamed to Retail Other. In addition to this, the attribution of 'Underlying result' to segments is changed as follows:

- › 'Interest benefit on economic capital' is replaced by 'Interest benefit on total capital' resulting in a reallocation between Retail Banking, Commercial Banking and Corporate Line Banking in the line 'Interest result Banking operations';
- › ING Turkey, previously fully reported within Retail Banking, is now segmented to both Retail Banking and Commercial Banking; and
- › Bank Treasury (excluding isolated legacy costs recorded within Corporate Line) is now allocated to both Retail Banking and Commercial Banking. Previously, Bank Treasury was allocated to Retail and/or Commercial Banking on a country-by-country basis.

The presentation of previously reported underlying profit and loss figures has been restated to reflect the above changes.

ING Bank evaluates the results of its segments using a financial performance measure called underlying result. Underlying result is derived by excluding from IFRS-EU excluding the impact of divestments and special items.

Notes to the Condensed consolidated interim accounts

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.

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

Underlying result as presented below is a non-GAAP financial measure and is not a measure of financial performance under IFRS-EU. Because underlying result is not determined in accordance with IFRS-EU, 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-EU Condensed consolidated profit and loss account below. The information presented in this note is in line with the information presented to the Management Boards.

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

Segments							
3 month period 1 April to 30 June 2015	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Other	Commercial Banking	Corporate Line Banking	Total
Underlying income							
- Net interest result	902	485	410	472	889		3,158
- Commission income	126	107	36	76	239		584
- Total investment and other income	49	30	21	-25	432	-30	477
Total underlying income	1,078	621	467	524	1,560	-30	4,219
Underlying expenditure							
- Operating expenses	580	377	200	393	606	58	2,213
- Additions to loan loss provision	140	40	14	48	111		353
Total underlying expenses	720	417	214	441	716	58	2,565
Underlying result before taxation	358	204	253	83	844	-88	1,653
Taxation	92	81	90	25	217	-35	470
Minority interests		2		17	1		21
Underlying net result	266	120	162	41	626	-53	1,163
Divestments				367			367
Special items	-13						-13
Net result IFRS-EU	253	120	162	408	626	-53	1,516

Notes to the Condensed consolidated interim accounts

Segments							
3 month period 1 April to 30 June 2014	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Other	Commercial Banking	Corporate Line Banking	Total
Underlying income							
- Net interest result	930	508	359	424	861	-3	3,079
- Commission income	113	93	31	89	269		595
- Total investment and other income	37	47	8	34	165	-100	190
Total underlying income	1,081	648	398	547	1,295	-104	3,864
Underlying expenditure							
- Operating expenses	578	357	188	346	571	54	2,094
- Additions to loan loss provision	178	49	10	26	141		405
Total underlying expenses	756	406	198	373	712	54	2,499
Underlying result before taxation	325	242	200	174	582	-157	1,365
Taxation	82	74	61	9	178	-44	359
Minority interests		-1		10	7		17
Underlying net result	243	169	138	155	397	113	989
Special items	-15					-101	-117
Net result IFRS-EU	228	169	138	155	397	-215	872

Reconciliation between Underlying and IFRS-EU income, expenses and net result							
3 month period	Income 1 April to 30 June		Expenses 1 April to 30 June		Net result 1 April to 30 June		
	2015	2014	2015	2014	2015	2014	
Underlying	4,219	3,864	2,565	2,499	1,163	989	
Divestments	367				367		
Special items			18	122	-13	-117	
IFRS-EU	4,585	3,864	2,583	2,621	1,516	872	

Divestments in the second quarter of 2015 comprise mainly the result from the merger between ING Vysya Bank and Kotak Mahindra Bank.

Special items in the second quarter of 2015 include additional charges related to previously announced restructuring programmes in Retail Netherlands. Special items in the second quarter of 2014 include the second payment of the levy related to the SNS Reaal nationalisation and additional charges related to previously announced restructuring programmes in Retail Netherlands.

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Segments							
6 month period 1 January to 30 June 2015	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Other	Commercial Banking	Corporate Line Banking	Total
Underlying income							
- Net interest result	1,846	996	786	946	1,794	10	6,377
- Commission income	247	217	80	150	495		1,189
- Total investment and other income	138	85	73	46	787	-100	1,029
Total underlying income	2,231	1,298	939	1,142	3,076	-91	8,596
Underlying expenditure							
- Operating expenses	1,161	815	410	790	1,209	57	4,442
- Additions to loan loss provision	292	88	27	95	283		785
Total underlying expenses	1,453	903	437	884	1,492	57	5,226
Underlying result before taxation	778	395	503	258	1,583	-148	3,369
Taxation	197	140	170	68	412	-47	940
Minority interests		4	1	26	6		36
Underlying net result	581	252	332	164	1,165	-101	2,393
Divestments				367			367
Special items	-27						-27
Net result IFRS-EU	553	252	332	531	1,165	-101	2,732

Segments							
6 month period 1 January to 30 June 2014	Retail Nether- lands	Retail Belgium	Retail Germany	Retail Other	Commercial Banking	Corporate Line Banking	Total
Underlying income							
- Net interest result	1,859	992	711	886	1,690	7	6,145
- Commission income	226	193	62	188	488	-1	1,155
- Total investment and other income	68	159		72	284	-162	421
Total underlying income	2,152	1,344	772	1,146	2,463	-156	7,721
Underlying expenditure							
- Operating expenses	1,159	794	375	738	1,144	58	4,267
- Additions to loan loss provision	370	80	37	72	313		872
Total underlying expenses	1,529	874	412	810	1,457	58	5,139
Underlying result before taxation	623	470	361	336	1,006	-214	2,582
Taxation	156	135	111	51	245	-9	689
Minority interests		-2		33	14		45
Underlying net result	467	337	250	253	747	-205	1,848
Divestments				202			202
Special items	-29					-856	-885
Net result IFRS-EU	438	337	250	455	747	-1,062	1,166

Notes to the Condensed consolidated interim accounts

Reconciliation between Underlying and IFRS-EU income, expenses and net result						
6 month period	Income		Expenses		Net result	
	1 January to 30 June					
Underlying	2015	2014	2015	2014	2015	2014
	8,596	7,721	5,226	5,139	2,393	1,848
Divestments	367	202			367	202
Special items			37	1,112	-27	-885
IFRS-EU	8,963	7,924	5,263	6,251	2,732	1,166

Divestments in the first half of 2015 mainly reflect the result from the merger between ING Vysya Bank and Kotak Mahindra Bank. Divestments in the first half of 2014 mainly reflect the result on the deconsolidation of ING Vysya.

Special items in the first half of 2015 comprise additional charges related to previously announced restructuring programmes in Retail Netherlands. Special items in the first half of 2014 include the impact (after tax) of the charges for making the Dutch Defined Benefit pension fund financially independent, the first and second payment of the levy related to the SNS Reaal nationalisation and additional charges related to previously announced restructuring programmes in Retail Netherlands.

IFRS-EU balance sheets by segments are not reported internally to, and not managed by, the chief operating decision maker. IFRS-EU balance sheet information for the banking operations is prepared for the Banking operations as a whole.

Geographical areas								
3 month period 1 April to 30 June 2015					Commercial Banking Rest of World			Total
	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Other		
Underlying income								
- Net interest result	1,168	555	448	308	287	392		3,158
- Commission income	187	135	43	40	65	114		584
- Total investment and other income	49	194	24	-52	75	201	-16	477
Total underlying income	1,404	884	516	296	427	707	-16	4,219
Underlying expenditure								
- Operating expenses	755	466	217	200	262	252	62	2,213
- Additions to loan loss provision	204	31	14	6	56	41		353
Total underlying expenses	958	497	231	206	318	293	62	2,565
Underlying result before taxation	446	387	285	89	109	414	-77	1,653
Taxation	116	127	100	47	17	95	-33	470
Minority interests		2			18			21
Underlying net result	330	257	184	42	75	319	-44	1,163
Divestments					367			367
Special items	-13							-13
Net result IFRS-EU	316	257	184	42	442	319	-44	1,516

Notes to the Condensed consolidated interim accounts

Geographical areas								
3 month period 1 April to 30 June 2014	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Commercial Banking Rest of World	Other	Total
Underlying income								
- Net interest result	1,171	597	388	289	246	393	-4	3,079
- Commission income	179	120	38	42	87	129		595
- Total investment and other income	31	90	11	9	59	84	-94	190
Total underlying income	1,381	807	438	340	392	606	-99	3,864
Underlying expenditure								
- Operating expenses	748	446	203	175	237	221	65	2,094
- Additions to loan loss provision	286	51	9	52	10	-4	0	405
Total underlying expenses	1,034	497	213	227	247	217	65	2,499
Underlying result before taxation								
	347	310	226	113	145	389	-163	1,365
Taxation	89	93	76	8	26	113	-45	359
Minority interests		-1			18			17
Underlying net result	259	217	149	105	102	276	-118	989
Special items	-15						-101	-117
Net result IFRS-EU	243	217	149	105	102	276	-220	872

Geographical areas								
6 month period 1 January to 30 June 2015	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Commercial Banking Rest of World	Other	Total
Underlying income								
- Net interest result	2,365	1,161	860	602	566	813	10	6,377
- Commission income	370	274	99	80	135	232		1,189
- Total investment and other income	184	282	83	-31	155	396	-40	1,029
Total underlying income	2,918	1,716	1,042	652	856	1,441	-30	8,596
Underlying expenditure								
- Operating expenses	1,497	1,015	442	391	535	494	68	4,442
- Additions to loan loss provision	466	82	27	49	92	69		785
Total underlying expenses	1,962	1,097	469	440	627	563	68	5,226
Underlying result before taxation								
	956	619	573	212	229	878	-97	3,369
Taxation	240	204	192	84	38	207	-26	940
Minority interests		4	1		32			36
Underlying net result	715	412	380	127	159	671	-71	2,393
Divestments					367			367
Special items	-27							-27
Net result IFRS-EU	688	412	380	127	526	671	-71	2,732

Notes to the Condensed consolidated interim accounts

Geographical areas								
6 month period 1 January to 30 June 2014	Netherlands	Belgium	Germany	Other Challengers	Growth Markets	Commercial Banking Rest of World	Other	Total
Underlying income								
- Net interest result	2,329	1,193	765	562	535	756	5	6,145
- Commission income	349	248	74	81	178	225		1,155
- Total investment and other income	71	210	6	11	122	149	-148	421
Total underlying income	2,750	1,651	844	654	836	1,130	-143	7,721
Underlying expenditure								
- Operating expenses	1,498	994	402	351	513	433	76	4,267
- Additions to loan loss provision	556	85	38	107	47	39		872
Total underlying expenses	2,054	1,079	441	459	560	472	76	5,139
Underlying result before taxation								
Taxation	695	572	404	195	276	658	-219	2,582
Taxation	169	145	127	32	53	176	-14	689
Minority interests		-2			46			45
Underlying net result	526	429	276	164	176	482	-204	1,848
Divestments				-2	204			202
Special items	-29						-856	-885
Net result IFRS-EU	497	429	276	162	381	482	-1,060	1,166

Notes to the Condensed consolidated interim accounts

Additional notes to the Condensed consolidated interim accounts

20 Fair values of financial assets and liabilities

The estimated fair values of financial assets and liabilities represent the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date ('exit price'). The fair value of financial assets and liabilities is based on quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments various techniques have been developed to estimate the approximate fair values of financial assets and liabilities that are not actively traded. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values. Further information on the methods and assumptions that were used by ING Bank to estimate the fair value of the financial instruments is disclosed in the 2014 ING Bank Consolidated Annual Accounts in Note 37 'Fair value of assets and liabilities'.

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

Notes to the Condensed consolidated interim accounts

Fair value of financial assets and liabilities				
	Estimated fair value		Balance sheet value	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Financial assets				
Cash and balances with central banks	21,501	12,222	21,501	12,222
Amounts due from banks	39,829	37,223	39,689	37,122
Financial assets at fair value through profit and loss				
- trading assets	140,429	136,964	140,429	136,964
- non-trading derivatives	3,407	4,303	3,407	4,303
- designated as at fair value through profit and loss	2,750	2,756	2,750	2,756
Investments				
- available-for-sale	85,896	95,401	85,896	95,401
- held-to-maturity	6,523	2,277	6,534	2,239
Loans and advances to customers	554,137	529,342	542,351	518,119
Other assets ⁽¹⁾	11,212	11,641	11,212	11,641
	865,684	832,129	853,769	820,767
Financial liabilities				
Subordinated loans	16,784	17,111	16,994	16,599
Debt securities in issue	127,485	125,565	126,531	120,959
Amounts due to banks	39,959	30,688	39,429	30,003
Customer deposits and other funds on deposit	516,241	490,329	514,161	489,281
Financial liabilities at fair value through profit and loss				
- trading liabilities	88,673	97,091	88,673	97,091
- non-trading derivatives	4,899	6,357	4,899	6,357
- designated as at fair value through profit and loss	13,028	13,551	13,028	13,551
Other liabilities ⁽²⁾	13,815	12,043	13,815	12,043
	820,884	792,735	817,530	785,884

(1) Other assets do not include (deferred) tax assets, net defined benefit asset and property development and obtained from foreclosures.

(2) Other liabilities do not include (deferred) tax liabilities, net defined benefit liability, prepayments received under property under development, other provisions and other taxation and social security contributions.

Fair value hierarchy

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

Notes to the Condensed consolidated interim accounts

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on the Bank's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of fair value hierarchy levels are recognised as of the date of the event or change in circumstances that caused the transfer. Further information on the fair value hierarchy is disclosed in the 2014 ING Bank Consolidated Annual Accounts in Note 37 'Fair value of assets and liabilities'.

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

Methods applied in determining fair values of financial assets and liabilities (carried at fair value)				
				30 June 2015
	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading assets	31,770	107,681	978	140,429
Non-trading derivatives	105	3,282	20	3,407
Financial assets designated as at fair value through profit and loss	250	2,429	71	2,750
Available-for-sale investments	80,371	4,965	560	85,896
	112,496	118,357	1,629	232,482
Financial liabilities				
Trading liabilities	9,186	78,475	1,012	88,673
Non-trading derivatives	61	4,824	14	4,899
Financial liabilities designated as at fair value through profit and loss	1,838	10,930	260	13,028
	11,085	94,229	1,286	106,600

Methods applied in determining fair values of financial assets and liabilities (carried at fair value)				
				31 December 2014
	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading assets	35,965	100,189	810	136,964
Non-trading derivatives		4,173	130	4,303
Financial assets designated as at fair value through profit and loss	346	2,320	90	2,756
Available-for-sale investments	89,101	5,727	573	95,401
	125,412	112,409	1,603	239,424
Financial liabilities				
Trading liabilities	11,204	84,890	997	97,091
Non-trading derivatives		6,341	16	6,357
Financial liabilities designated as at fair value through profit and loss	1,719	11,509	323	13,551
	12,923	102,740	1,336	116,999

Main changes in fair value hierarchy in the first half of 2015

In the first half of 2015, the change in trading assets and trading liabilities (Level 2) is mainly as a result of further decreased interest rates and developments in foreign currency rates. The decrease in Available-for-sale investments (Level 1) is as a result of the reclassification of Government bonds (EUR 3.5 billion) to Investments - Held-to-maturity. Reference is made to Note 3 'Investments'.

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

Notes to the Condensed consolidated interim accounts

In the first half of 2015, there were changes in valuation techniques driven by current market conditions, with LIBOR being negative.

Recognition of unrealised gains and losses in Level 3

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

- › Results on trading assets and trading liabilities are included in Other income - Net trading income;
- › Non-trading derivatives are included in Other income - Valuation results on non-trading derivatives;
- › Financial assets and liabilities designated as at fair value through profit and loss are included in Other income - Valuation results on non-trading derivatives - Valuation results on assets and liabilities designated as at fair value through profit and loss (excluding trading);
- › Changes in the fair value of Real estate investments are included in Investment income; and
- › Impairments on Property in own use are included in Intangible amortisation and other impairments.

Unrealised gains and losses recognised in Other comprehensive income that relate to Available-for-sale assets are included in the Revaluation reserve - Available-for-sale reserve and other. Unrealised gains and losses on Property in own use are included in the Revaluation reserve - Property in own use reserve.

Changes in Level 3 Financial assets					
6 month period ended 30 June 2015					
	Trading assets	Non- trading derivatives	Financial assets designated as at fair value through profit and loss	Available- for-sale invest- ments	Total
Opening balance	810	130	90	573	1,603
Amounts recognised in the profit and loss account during the period	40	-111	-23	42	-52
Revaluation recognised in equity during the period				-5	-5
Purchase of assets	260	1	153	84	498
Sale of assets	-91		-149	-152	-392
Maturity/settlement	-16			-1	-17
Transfers into Level 3	10			2	12
Transfers out of Level 3	-40				-40
Exchange rate differences	5			18	23
Changes in the composition of the group and other changes				-1	-1
Closing balance	978	20	71	560	1,629

In the first half of 2015, there were no significant transfers into or out of Level 3.

Notes to the Condensed consolidated interim accounts

Changes in Level 3 Financial assets					
year ended 31 December 2014					
	Trading assets	Non-trading derivatives	Financial assets designated as at fair value through profit and loss	Available-for-sale investments	Total
Opening balance	1,299	62	198	1,042	2,601
Amounts recognised in the profit and loss account during the year	-368	68	-67	20	-347
Revaluation recognised in equity during the year				7	7
Purchase of assets	270		49	97	416
Sale of assets	-219		-45	-143	-407
Maturity/settlement	-76		-45	-448	-569
Transfers into Level 3	69		48	3	120
Transfers out of Level 3	-174		-48		-222
Exchange rate differences	9			14	23
Changes in the composition of the group and other changes				-19	-19
Closing balance	810	130	90	573	1,603

Changes in Level 3 Financial liabilities					
6 month period ended 30 June 2015					
	Trading liabilities	Non-trading derivatives	Financial liabilities designated as at fair value through profit and loss		Total
Opening balance	997	16	323		1,336
Amounts recognised in the profit and loss account during the period	-35	-1	-21		-57
Issue of liabilities	188		106		294
Early repayment of liabilities	-86	-1	-33		-120
Maturity/settlement	-12				-12
Transfers into Level 3	14				14
Transfers out of Level 3	-60		-115		-175
Exchange rate differences	6				6
Closing balance	1,012	14	260		1,286

In the first half of 2015, financial liabilities of EUR 175 million were transferred out of Level 3 mainly due to the valuation not being significantly impacted by unobservable inputs.

Notes to the Condensed consolidated interim accounts

Changes in Level 3 Financial liabilities

year ended 31 December 2014

	Trading liabilities	Non-trading derivatives	Financial liabilities designated as at fair value through profit and loss	Total
Opening balance	1,105	1	343	1,449
Amounts recognised in the profit and loss account during the year	-54	14	-81	-121
Issue of liabilities	418	2	172	592
Early repayment of liabilities	-371		-78	-449
Maturity/settlement	-68	-1	-66	-135
Transfers into Level 3	42		88	130
Transfers out of Level 3	-82		-55	-137
Changes in the composition of the group and other changes	7			7
Closing balance	997	16	323	1,336

Amounts recognised in profit and loss account during the period (Level 3)

6 month period ended 30 June 2015

	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Trading assets	40		40
Non-trading derivatives	-111		-111
Financial assets designated as at fair value through profit and loss	-23		-23
Available-for-sale investments	-12	54	42
	-106	54	-52
Financial liabilities			
Trading liabilities	-35		-35
Non-trading derivatives	-1		-1
Financial liabilities designated as at fair value through profit and loss	-21		-21
	-57		-57

Notes to the Condensed consolidated interim accounts

Amounts recognised in profit and loss account during the period (Level 3)			
year ended 31 December 2014			
	Held at balance sheet date	Dere- cognised during the year	Total
Financial assets			
Trading assets	-368		-368
Non-trading derivatives	68		68
Financial assets designated as at fair value through profit and loss	-67		-67
Available-for-sale investments	-11	31	20
	-378	31	-347
Financial liabilities			
Trading liabilities	-54		-54
Non-trading derivatives	14		14
Financial liabilities designated as at fair value through profit and loss	-81		-81
	-121	-	-121

Level 3 Financial assets and liabilities

Financial assets measured at fair value in the balance sheet as at 30 June 2015 of EUR 232 billion include an amount of EUR 1.6 billion (0.7%) which is classified as Level 3 (31 December 2014: EUR 1.6 billion, being 0.7%). Changes in Level 3 from 31 December 2014 to 30 June 2015 are disclosed above in the table 'Changes in Level 3 Financial assets'.

Financial liabilities measured at fair value in the balance sheet as at 30 June 2015 of EUR 107 billion include an amount of EUR 1.3 billion (1.2%) which is classified as Level 3 (31 December 2014: EUR 1.3 billion, being 1.1%). Changes in Level 3 from 31 December 2014 to 30 June 2015 are disclosed above in the table 'Changes in Level 3 Financial liabilities'.

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets and liabilities for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on ING's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to ING's own unobservable inputs.

Of the total amount of financial assets classified as Level 3 as at 30 June 2015 of EUR 1.6 billion (31 December 2014: EUR 1.6 billion), an amount of EUR 0.8 billion (50%) (31 December 2014: EUR 0.8 billion, being 50%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial assets includes approximately EUR 0.1 billion (31 December 2014: EUR 0.1 billion) which relates to financial assets that are part of structures that are designed to be fully neutral in terms of market risk. Such structures include various financial assets and liabilities for which the overall sensitivity to

Notes to the Condensed consolidated interim accounts

market risk is insignificant. Whereas the fair value of individual components of these structures may be determined using different techniques and the fair value of each of the components of these structures may be sensitive to unobservable inputs, the overall sensitivity is by design not significant.

The remaining EUR 0.7 billion (31 December 2014: EUR 0.7 billion) of the fair value classified in Level 3 financial assets is established using valuation techniques that incorporates certain inputs that are unobservable. This relates mainly to assets that are classified as Available-for-sale investments, for which changes in fair value are recognised in shareholders' equity and do not directly impact profit and loss.

Of the total amount of financial liabilities classified as Level 3 as at 30 June 2015 of EUR 1.3 billion (31 December 2014: EUR 1.3 billion), an amount of EUR 0.6 billion (46%) (31 December 2014: EUR 0.7 billion, being 54%) is based on unadjusted quoted prices in inactive markets. As ING does not generally adjust quoted prices using its own inputs, there is no significant sensitivity to ING's own unobservable inputs.

Furthermore, Level 3 financial liabilities includes approximately EUR 0.2 billion (31 December 2014: EUR 0.2 billion) which relates to financial liabilities that are part of structures that are designed to be fully neutral in terms of market risk. As explained above, the fair value of each of the components of these structures may be sensitive to unobservable inputs, but the overall sensitivity is by design not significant.

The remaining EUR 0.5 billion (31 December 2014: EUR 0.4 billion) of the fair value classified in Level 3 financial liabilities is established using valuation techniques that incorporates certain inputs that are unobservable.

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

Notes to the Condensed consolidated interim accounts

Valuation techniques and range of unobservable inputs (Level 3)						
30 June 2015	Assets	Liabilities	Valuation techniques	Significant unobservable inputs	Lower range	Upper range
At fair value through profit and loss						
Debt securities	129		Price based	Price (%)	1%	118%
			Net asset value	Price (%)	60%	89%
Loans and advances	65	12	Price based	Price (%)	0%	100%
Structured notes		260	Price based	Price (%)	0%	121%
			Net asset value	Price (%)	89%	89%
			Option pricing model	Equity volatility (%)	16%	102%
				Equity/Equity correlation	0.4	0.9
				Equity/FX correlation	-0.7	0.3
				Dividend yield (%)	0%	5%
				Interest rate volatility (%)	n.a	n.a
			Present value techniques	Implied correlation	0.7	0.9
Derivatives						
- Rates	413	515	Option pricing model	Interest rate volatility (%)	17%	53%
				Interest rate correlation	0.9	0.9
				IR/INF correlation	0.5	0.5
			Present value techniques	Reset spread	3%	3%
				Prepayment rate	5%	5%
				Inflation rate (%)	1%	4%
- FX	289	235	Present value techniques	Inflation rate (%)	0%	3%
- Credit	41	32	Present value techniques	Credit spread (bps)	7	11,250
				Implied correlation	0.6	1.0
- Equity	126	228	Option pricing model	Equity volatility (%)	0%	107%
				Equity/Equity correlation	-0.2	1.0
				Equity/FX correlation	-1.0	1.0
				Dividend yield (%)	0%	12%
- Other	5	4	Option pricing model	Commodity volatility	18%	24%
				Com/Com correlation	0.4	0.9
				Com/FX correlation	-0.8	0.6
Available for sale						
- Debt	92		Price based	Price (%)	0%	131%
			Present value techniques	Credit spread (bps)	91	91
- Equity	469		Discounted cash flow	Financial Statements	n.a	n.a
				Observable market		
			Multiplier method	factors	n.a	n.a
			Comparable transactions		n.a	n.a
Total	1,629	1,286				

Notes to the Condensed consolidated interim accounts

Valuation techniques and range of unobservable inputs (Level 3)						
31 December 2014	Assets	Liabilities	Valuation techniques	Significant unobservable inputs	Lower range	Upper range
At fair value through profit and loss						
Debt securities	161	5	Price based	Price (%)	0%	114%
			Net asset value	Price (%)	59%	101%
Loans and advances	55	12	Price based	Price (%)	0%	100%
Structured notes		323	Price based	Price (%)	0%	115%
			Net asset value	Price (%)	100%	100%
			Option pricing model	Equity volatility (%)	17%	94%
				Equity/Equity correlation	0.0	0.8
				Equity/FX correlation	-0.8	0.2
				Dividend yield (%)	0%	9%
				Interest rate volatility (%)	18%	58%
			Present value techniques	Implied correlation	0.7	0.9
Derivatives						
- Rates	375	471	Option pricing model	Interest rate volatility (%)	18%	58%
				Interest rate correlation	0.9	0.9
				IR/INF correlation	0.5	0.5
			Present value techniques	Reset spread	3%	3%
				Inflation rate (%)	1%	3%
- FX	306	258	Present value techniques	Inflation rate (%)	0%	2%
- Credit	43	45	Present value techniques	Credit spread (bps)	1	1,362
				Implied correlation	0.6	1.0
- Equity	84	221	Option pricing model	Equity volatility (%)	0%	107%
				Equity/Equity correlation	-0.1	1.0
				Equity/FX correlation	-1.0	1.0
				Dividend yield (%)	0%	23%
- Other	6	1	Option pricing model	Commodity volatility (%)	9%	75%
				Com/Com correlation	0.0	0.9
				Com/FX correlation	-0.8	0.7
Available for sale						
- Debt	78		Price based	Price (%)	3%	100%
			Present value techniques	Credit spread (bps)	97	300
- Equity	495		Discounted cash flow	Financial Statements	n.a	n.a
				Observable market		
			Multiplier method	factors	n.a	n.a
			Comparable transactions		n.a	n.a
Total	1,603	1,336				

Further information on equity securities, credit spreads, volatility, correlation and interest rates is disclosed in the 2014 ING Bank Consolidated Annual Accounts in Note 37 'Fair value of assets and liabilities'.

Sensitivity analysis of unobservable inputs (Level 3)

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

Notes to the Condensed consolidated interim accounts

If ING had used input values from the upper and lower bound of this range of reasonable possible alternative input values when valuing these instruments as of 30 June 2015 then the impact would have been higher or lower as indicated below. The purpose of this disclosure is to present the possible impact of a change of unobservable inputs in the fair value of financial instruments where unobservable inputs are significant to the valuation.

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

For more detail on the valuation of fair valued instruments, refer to the 2014 ING Bank Consolidated Annual Accounts, section Risk Management, paragraph Fair values of financial assets and liabilities.

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

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

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

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

Sensitivity analysis of level 3 instruments		
	Positive fair value movements from using reasonable possible alternatives	Negative fair value movements from using reasonable possible alternatives
30 June 2015		
Fair value through profit and loss		
Equity (equity derivatives, structured notes)	121	
Interest rates (Rates derivatives, FX derivatives)	99	
Credit (Debt securities, Loans, structured notes, credit derivatives)	20	
Available-for-sale		
Equity	11	27
Debt	16	
	267	27

Notes to the Condensed consolidated interim accounts

Sensitivity analysis of level 3 instruments

	Positive fair value movements from using reasonable possible alternatives	Negative fair value movements from using reasonable possible alternatives
31 December 2014		
Fair value through profit and loss		
Equity (equity derivatives, structured notes)	106	
Interest rates (Rates derivatives, FX derivatives)	115	
Credit (Debt securities, Loans, structured notes, credit derivatives)	21	
Available-for-sale		
Equity	19	28
Debt	11	
	272	28

21 Companies and business acquired and divested**Acquisitions**

There were no acquisitions in the first half of 2015 and 2014.

Divestments

For details on the transactions with regard to ING's interest in ING Vysya Bank, reference is made to Note 7 'Assets and liabilities held for sale', Note 14 'Other income', Note 22 'Related parties' and Note 23 'Other events'.

22 Related parties

In the normal course of business, ING Bank 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 Bank include, amongst others, its subsidiaries, joint ventures, associates, key management personnel and various defined benefit and contribution plans. Transactions between related parties have taken place on an arm's length basis and include rendering or receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. Transactions with related parties are disclosed in Note 49 'Related parties' in the 2014 ING Bank Consolidated Annual Accounts.

In the second quarter of 2015, the merger between ING Vysya Bank and Kotak Mahindra Bank was completed and the legal entity ING Vysya Bank ceased to exist. As a result of this transaction, ING Vysya is no longer a related party of ING Bank. Reference is made to Note 7 'Assets and liabilities held for sale', Note 14 'Other income' and Note 23 'Other events'.

In the second quarter of 2015, ING Bank provided a EUR 63 million facility to NN Bank which allows NN Bank an unconditional right to draw down additional Tier 1 capital at prevailing market terms, until 31 December 2018. This transaction has no impact on the capital position of ING Bank. No draw down has been made by NN Bank as at 30 June 2015.

No other significant changes in related party transactions occurred in the first half of 2015.

Notes to the Condensed consolidated interim accounts

23 Other events

ING Vysya Bank

2015

In November 2014, ING Vysya Bank ('ING Vysya') and Kotak Mahindra Bank ('Kotak') announced their intention to merge their respective businesses. As at 31 December 2014, ING Vysya was presented as Assets held for sale. The shareholders of Kotak and ING Vysya approved this transaction in January 2015. On 31 March 2015, the Reserve Bank of India approved the transaction with an effective date of 1 April 2015.

On 7 April 2015, the merger between ING Vysya and Kotak was completed and the legal entity ING Vysya Bank ceased to exist. With a shareholding of 42.7%, ING was the largest shareholder in ING Vysya. Under the terms of the transaction, as announced on 20 November 2014, ING Vysya was merged into Kotak. Shareholders of ING Vysya received 0.725 shares in Kotak for each ING Vysya share. As a result, ING now holds a stake of 6.5% in the combined company, which will operate under the Kotak brand. ING's holding in the combined company will be subject to a 1 year lock-up period from the closing of the transaction. The financial impact of the transaction was EUR 367 million. This gain is reflected in ING Group's profit and loss account in the second quarter of 2015 in Other income – 'Result from associates and joint ventures'. The transaction did not materially impact the shareholder's equity of ING Group. As at 30 June 2015, ING Group accounts for the investment in Kotak as an Available-for-sale equity investment. Reference is made to Note 3 'Investments', Note 7 'Assets and liabilities held for sale' and Note 14 'Other income'.

2014

In the first quarter of 2014, changes to the governance structure of ING Vysya were implemented in order to better align with prevailing regulations. The regulatory requirements necessitated some governance changes. As part of that, ING reduced the number of directors appointed by ING in ING Vysya Bank's Board of Directors to be proportionate to its shareholding. Although ING Bank's economic interest of approximately 43% remained unchanged, as a result of these governance changes, ING Bank no longer had a majority representation in the Board of Directors and influence on ING Vysya's operations were aligned with its shareholding interest. As a result, ING Bank no longer had effective control over ING Vysya and therefore, as of 31 March 2014 ING Vysya was deconsolidated and accounted for as an associate under equity accounting. Before the changes in the governance structure ING Bank had substantial additional powers, including the majority in the Board of Directors and power over operational decision making; as a result, ING Vysya was consolidated by ING. After the deconsolidation, the investment in ING Vysya was recognised as an Investment in associates and joint ventures at its fair value at 31 March 2014 of EUR 617 million. The profit and loss account of 2014 included the consolidated result of ING Vysya until the deconsolidation and the result upon deconsolidation of EUR 202 million. The result upon deconsolidation was recognised in Other income – 'Result on disposal of group companies'.

Bank Levies

In 2015, ING will be exposed to two new bank levies: A new ex-ante Deposit Guarantee Scheme ('DGS') in the Netherlands and Resolution fund contributions under Directive 2014/59/UE. These bank levies will have a significant financial impact on ING Group. The ex-ante DGS became applicable with effect 1 July 2015. The Resolution fund contributions under the Directive are applicable as of 1 January 2015. In order to be effective, the Directive needs to be enacted into local law. This has not yet been done in most European countries where ING has activities.

24 Subsequent events

There are no subsequent events to report.

Other information

To: the Shareholders, the Supervisory Board and the Executive Board of ING Bank N.V.

Independent auditor's report

Review report

Introduction

We have reviewed the accompanying Condensed consolidated interim accounts for the six month period ended 30 June 2015, of ING Bank N.V., Amsterdam, which comprises the Condensed consolidated balance sheet as at 30 June 2015 and the related Condensed consolidated profit and loss account, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of cash flows, the Condensed consolidated statement of changes in equity and the related notes for the six month period then ended. Management is responsible for the preparation and presentation of these Condensed consolidated interim accounts in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim accounts based on our review.

Scope of Review

We conducted our review in accordance with Dutch law including Standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed consolidated interim accounts as at 30 June 2015 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 4 August 2015

Ernst & Young Accountants LLP

Signed by M.A. van Loo

Important legal information

ING Bank's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

In preparing the financial information in this document, except for the changes described in Note 1 'Accounting policies', the same accounting principles are applied as in the 2014 ING Bank Annual Accounts. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in ING's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) ING's implementation of the

restructuring plan as agreed with the European Commission, (5) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to purchase accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit-ratings, (18) ING's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the risk factors section contained in the most recent annual report of ING Groep N.V.

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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