NUVEEN INSURED TAX FREE ADVANTAGE MUNICIPAL FUND
Form 497
April 22, 2009

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IMPORTANT NOTICE TO
NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA) AND
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF) SHAREHOLDERS

APRIL 17, 2009

Although we recommend that you read the complete Proxy Statement/Prospectus, for your convenience, we have provided a brief overview of the issues to be voted on.

Q. **Why am I receiving this Proxy Statement/Prospectus?**

A. The Board of Trustees of the Nuveen Insured Tax-Free Advantage Municipal Fund (the National Fund) and the Nuveen Insured Florida Tax-Free Advantage Municipal Fund (the Florida Fund) recently voted to recommend a merger of the Funds to shareholders. As a Fund shareholder, you are being asked to vote to approve this proposed merger at a special shareholders meeting to be held on May 15, 2009.

Q. **Why has the Board of Trustees recommended merging the Florida Fund into the National Fund?**

A. This recommendation reflects various considerations, among them: (i) the price level at which the Florida Fund s common shares have traded over time in relation to their underlying net asset value on an absolute basis as well as relative to other closed-end funds; (ii) prior efforts to enhance, over time, the secondary market for the Florida Fund s common shares, including investment strategies aimed at increasing common net earnings as well as common share repurchases; and (iii) the repeal of Florida s intangible personal property tax which eliminated the state tax benefit to a Florida resident of owning a Florida-specific portfolio of municipal bonds. The Board of Trustees believes the proposed merger is in the best interests of both the National Fund and the Florida Fund.

Q. **What are the proposed merger s potential benefits to me as a Fund shareholder?**

A. The Board of Trustees believes the proposed merger offers the following potential benefits to National Fund and Florida Fund shareholders:

National Fund:

Lower fees and operating expenses per common share (excluding costs of leverage) from greater economies of scale as the combined fund s size results in a lower management fee rate and allows fixed operating expenses to be spread over a larger asset base.

Enhanced relative investment performance from increased common net earnings as well as expanded opportunities for enhanced total returns over time from the combined fund s larger asset base.

Improved secondary market trading as higher common net earnings and enhanced total returns over time may lead to higher common share market prices relative to net asset value, and the combined fund s greater market liquidity may lead to narrower bid-ask spreads and smaller trade-to-trade price movements.

Expanded auction rate preferred securities (ARPS) refinancing opportunities because the combined fund s larger asset base may increase its ability to refinance ARPS with tender option bonds. Through such refinancings the Fund seeks to provide liquidity at par for ARPS shareholders and to lower the relative cost of leverage over time for common shareholders.

Florida Fund:

Lower fees and operating expenses per common share (excluding costs of leverage) from greater economies of scale as the combined fund s size results in a lower management fee rate and allows fixed operating expenses to be spread over a larger asset base.

Enhanced relative investment performance from increased common net earnings as well as expanded opportunities for enhanced total returns over time from a nationally-diversified portfolio and the combined fund s larger asset base.

Continuity of investment strategy by maintaining the Fund s use of leverage, which offers common shareholders the potential for higher monthly tax-exempt distributions and enhanced total returns on average over market cycles, at a time when the municipal yield spreads are particularly wide or attractive.

Improved secondary market trading as a national fund instead of a Florida-specific fund potential investor base is expected to promote higher common share market prices relative to net asset value, and the combined fund s greater market liquidity may lead to narrower bid-ask spreads and smaller trade-to-trade price movements.

Expanded ARPS refinancing opportunities because greater portfolio diversification and the combined fund s larger asset base may increase its ability to refinance ARPS with tender option bonds. Through such refinancings the Fund seeks to provide liquidity at par for ARPS shareholders and to lower the relative cost of leverage over time for common shareholders.

Q. Do the Funds have similar investment objectives and policies?

A. Yes. The Funds have similar investment objectives and policies except for (i) the Florida Fund s policy of concentrating its investment portfolio in Florida state-specific municipal securities in comparison to the National Fund s policy of investing in a nationally diversified portfolio of municipal securities and (ii) the Florida Fund is a non-diversified management investment company while the National Fund is a diversified management investment company.

Q. What specific proposals will I be asked to vote on in connection with the proposed merger?

A. Depending on whether you are a National Fund or Florida Fund shareholder, you will be asked to vote on one or both of the following proposals:

(i) *Approve Agreement and Plan of Reorganization (Both Funds).* To approve an Agreement and Plan of Reorganization (the Agreement), pursuant to which the Florida Fund would (i) transfer all of its assets to the National Fund in exchange solely for National Fund common shares and Municipal Auction Rate Cumulative Preferred shares (MuniPreferred), Series W2, and the National Fund s assumption of all the liabilities of Florida Fund, (ii) distribute such shares of the National Fund to the common shareholders and MuniPreferred, Series W, shareholders of the Florida Fund and (iii) be liquidated, dissolved and terminated in accordance with the Florida Fund s Declaration of Trust (collectively, the Reorganization).

(ii) *Approve Issuance of Common Shares (National Fund).* To approve the issuance of additional National Fund common shares in connection with the Reorganization.

Your Fund s Board of Trustees, including your Board s independent members, unanimously recommends that you vote **FOR** your Fund s applicable proposal(s). The Reorganization is

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dependent upon shareholder approval of both proposals. If shareholder approval of both proposals is not obtained, the Reorganization will not occur.

Your vote is very important. We encourage you as a shareholder to participate in your Fund s governance by returning your vote as soon as possible. If enough shareholders don t cast their votes, your Fund may not be able to hold its meeting or the vote on each issue, and will be required to incur additional solicitation costs in order to obtain sufficient shareholder participation.

Q. How does the Board recommend that I vote?

A. After careful consideration, the Board agreed unanimously that the Reorganization is in the best interests of the Funds and **recommends that you vote FOR your Fund s proposal(s)**.

Q. Will Florida Fund shareholders receive new shares in exchange for their current shares?

A. Yes. Upon approval of the Reorganization, common shareholders of the Florida Fund in exchange for their Fund shares will receive common shares of the National Fund of equivalent total value. Upon approval of the Reorganization, shareholders of the Florida Fund s MuniPreferred, Series W, will receive in exchange one share of the National Fund s MuniPreferred, Series W2, for each share of the Florida Fund s MuniPreferred, Series W, held.

Q. Is the Reorganization a taxable event for Florida Fund shareholders?

A. No. The Reorganization is intended to qualify as a reorganization for federal income tax purposes. It is expected that you will recognize no gain or loss for federal income tax purposes as a result of the Reorganization.

Q. What will happen if shareholders do not approve each proposal?

A. If both proposals are not approved, the Reorganization will not occur. If the Reorganization does not occur, the Board will take such actions as it deems to be in the best interests of the Florida Fund based upon the Fund s current circumstances and market conditions.

Q. Will I have to pay any direct fees or expenses in connection with the Reorganization?

A. The Funds expenses associated with the Reorganization will be allocated between the Funds and paid out of the Funds net assets. Fund shareholders will indirectly bear the costs of the Reorganization.

Q. What is the timetable for the Reorganization?

A. If Fund shareholders approve each respective proposal at the special shareholders meeting on May 15, 2009, the Reorganization is expected to take effect on June 16, 2009 or as soon as practicable thereafter.

Q. Who do I call if I have questions?

A. If you need any assistance, or have any questions regarding the proposal or how to vote your shares, please call Georgeson Inc., your proxy solicitor, at (866) 963-6132, weekdays during its business hours of 7:00 a.m. to 7:00 p.m. Central time. Please have your proxy materials available when you call.

Q. How do I vote my shares?

A. You may vote by mail, telephone or over the Internet:

To vote by mail, please mark, sign, date and mail the enclosed proxy card. No postage is required if mailed in the United States.

To vote by telephone, please call the toll-free number located on your proxy card and follow the recorded instructions, using your proxy card as a guide.

To vote over the Internet, go to the Internet address provided on your proxy card and follow the instructions, using your proxy card as a guide.

Q. Will Nuveen contact me?

A. You may receive a call to verify that you received your proxy materials and to answer any questions you may have about the Reorganization.

APRIL 17, 2009
NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA)
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF)

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 15, 2009

To the Shareholders:

Notice is hereby given that the Special Meeting of Shareholders of Nuveen Insured Tax-Free Advantage Municipal Fund (National Fund or Acquiring Fund) and Nuveen Insured Florida Tax-Free Advantage Municipal Fund (Florida Fund or Acquired Fund), will be held in the 31st floor conference room of Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606, on Friday, May 15, 2009, at 2:00 p.m., Central time (the Special Meeting), for the following purposes:

1. For shareholders of each Fund, to approve an Agreement and Plan of Reorganization (the Agreement), pursuant to which Florida Fund would (i) transfer all of its assets to National Fund in exchange solely for common shares and Municipal Auction Rate Cumulative Preferred shares (MuniPreferred), Series W2, of National Fund and the National Fund s assumption of all the liabilities of Florida Fund, (ii) distribute such shares of the National Fund to the common shareholders and MuniPreferred, Series W, shareholders of the Florida Fund and (iii) be liquidated, dissolved and terminated in accordance with the Florida Fund s Declaration of Trust (collectively, the Reorganization).

2. For common shareholders of the National Fund, to approve the issuance of additional common shares of the National Fund in connection with the Reorganization.

Only shareholders of record as of the close of business on March 19, 2009 are entitled to notice of and to vote at the Special Meeting or any adjournment thereof.

All shareholders are cordially invited to attend the Special Meeting. In order to avoid delay and additional expense for the Funds, and to assure that your shares are represented, please vote as promptly as possible, whether or not you plan to attend the Special Meeting. You may vote by mail, telephone or over the Internet.

To vote by mail, please mark, sign, date and mail the enclosed proxy card. No postage is required if mailed in the United States.

To vote by telephone, please call the toll-free number located on your proxy card and follow the recorded instructions, using your proxy card as a guide.

To vote over the Internet, go to the Internet address provided on your proxy card and follow the instructions, using your proxy card as a guide.

Kevin J. McCarthy
Vice President and Secretary

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333 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60606
(800) 257-8787

PROXY STATEMENT/PROSPECTUS

NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA)
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF)

APRIL 17, 2009

This Proxy Statement/Prospectus is being furnished to the shareholders of Nuveen Insured Tax-Free Advantage Municipal Fund (National Fund or Acquiring Fund), a closed-end management investment company, and Nuveen Insured Florida Tax-Free Advantage Municipal Fund (Florida Fund or Acquired Fund and, together with the Acquiring Fund, the Funds), a closed-end management investment company, in connection with the solicitation of proxies by each Fund s Board of Trustees (each a Board and each Trustee a Board Member) for use at the Special Meeting of Shareholders of each Fund to be held on Friday, May 15, 2009, at 2:00 p.m., Central time, and at any and all adjournments thereof (the Special Meeting). The enclosed proxy and this Proxy Statement/Prospectus are first being sent to shareholders of the Funds on or about April 23, 2009. Shareholders of record of the Funds as of the close of business on March 19, 2009 are entitled to notice of, and to vote at, the Special Meeting and any adjournment thereof.

The purposes of the Special Meeting are:

For each Fund:

1. To approve an Agreement and Plan of Reorganization (the Agreement), pursuant to which the Acquired Fund would (i) transfer all of its assets to the Acquiring Fund in exchange solely for common shares and Municipal Auction Rate Cumulative Preferred shares (MuniPreferred), Series W2, of the Acquiring Fund and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) distribute such shares of the Acquiring Fund to the common shareholders and MuniPreferred, Series W, shareholders of the Acquired Fund and (iii) be liquidated, dissolved and terminated in accordance with the Acquired Fund s Declaration of Trust (collectively, the Reorganization).

For common shareholders of the Acquiring Fund:

2. To approve the issuance of additional common shares of the Acquiring Fund in connection with the Reorganization.

The Agreement provides for (i) the Acquiring Fund s acquisition of all the assets of the Acquired Fund in exchange for newly issued common shares of the Acquiring Fund, par value $0.01 per share (Acquiring Fund Common Shares), and newly issued MuniPreferred, Series W2, of the Acquiring Fund, with a par value of $0.01 per share and liquidation preference of $25,000 per share (Acquiring Fund MuniPreferred Shares), and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) the distribution of the Acquiring Fund Common Shares and Acquiring Fund MuniPreferred Shares held by the Acquired Fund to its common and MuniPreferred shareholders, respectively, and (iii) the liquidation, dissolution and termination of the Acquired Fund in accordance with the Acquired Fund s Declaration of Trust. The number of Acquiring Fund Common Shares to be issued to the Acquired Fund would be that number having an aggregate per share net asset value equal to the aggregate value of the net assets of

the Acquired Fund transferred to the Acquiring Fund. The aggregate net asset value of Acquiring Fund Common Shares received in the Reorganization will equal the aggregate net asset value of Acquired Fund common shares held immediately prior to the Reorganization. Prior to the closing of each Reorganization, the net asset value of the Acquired Fund and Acquiring Fund will be reduced by the costs of the Reorganization borne by such Fund. Shareholders of Acquired Fund MuniPreferred, Series W, will receive the same number of Acquiring Fund MuniPreferred, Series W2. The aggregate liquidation preference of the Acquiring Fund MuniPreferred Shares received in the Reorganization will equal the aggregate liquidation preference of the Acquired Fund MuniPreferred held immediately prior to the Reorganization. The Acquiring Fund will continue to operate after the Reorganization as a registered closed-end investment company with the investment objectives and policies described in this Proxy Statement/Prospectus.

In connection with the Reorganization, common shareholders of the Acquiring Fund are being asked to approve the issuance of additional Acquiring Fund Common Shares.

The Board of each Fund has determined that including all proposals in one Proxy Statement/Prospectus will reduce costs and is in the best interests of each Fund.

In the event that each Fund s shareholders do not approve the Reorganization or that the Acquiring Fund common shareholders do not approve the issuance of Acquiring Fund Common Shares, the Acquired Fund will continue to exist and the Board of the Acquired Fund will consider what additional action to take, if any.

This Proxy Statement/Prospectus concisely sets forth the information shareholders of the Funds should know before voting on the proposals and constitutes an offering of common shares and MuniPreferred, Series W2, of the Acquiring Fund only. Please read it carefully and retain it for future reference.

The following documents have been filed with the Securities and Exchange Commission (SEC) and are incorporated into this Proxy Statement/Prospectus by reference:

(i) the Statement of Additional Information relating to the proposed Reorganization, dated April 17, 2009 (the Reorganization SAI);

(ii) the audited financial statements and related independent registered public accounting firm s report for the Acquiring Fund and the financial highlights for the Acquiring Fund contained in the Fund s Annual Report for the fiscal year ended October 31, 2008;

(iii) the audited financial statements and related independent registered public accounting firm s report for the Acquired Fund and the financial highlights for the Acquired Fund contained in the Fund s Annual Report for the fiscal year ended April 30, 2008; and

(iv) the unaudited financial statements and the financial highlights for the Acquired Fund contained in the Fund s Semi-Annual Report for the period ended October 31, 2008.

No other parts of the Funds Annual or Semi-Annual Reports are incorporated by reference herein.

Copies of the foregoing may be obtained without charge by calling or writing the Funds at the telephone number or address shown above. If you wish to request the Reorganization SAI, please ask for the Reorganization SAI. In addition, the Acquiring Fund will furnish, without charge, a copy of its most recent annual report and subsequent semiannual report to a shareholder upon request.

Any such request should be directed to the Acquiring Fund by calling (800) 257-8787 or by writing the Acquiring Fund at 333 West Wacker Drive, Chicago, Illinois 60606.

The Funds are both closed-end management investment companies, with similar objectives and policies primarily to provide current income exempt from regular federal income tax and the alternative minimum tax applicable to individuals and enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Funds investment adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued, and in the case of the Acquired Fund, the Fund s shares to be exempt from the Florida intangible personal property tax. The Acquiring Fund is a diversified management investment company and the Acquired Fund is a non-diversified management investment company.

The Funds are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended (the 1940 Act), and in accordance therewith file reports and other information with the SEC. Reports, proxy statements, registration statements and other information filed by the Funds (including the Registration Statement relating to the Acquiring Fund on Form N-14 of which this Proxy Statement/Prospectus is a part may be inspected without charge and copied (for a duplication fee at prescribed rates) at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549 or at the SEC s Northeast Regional Office (3 World Financial Center, New York, New York 10281) or Midwest Regional Office (175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604). You may call the SEC at (202) 551-5850 for information about the operation of the public reference room. You may obtain copies of this information, with payment of a duplication fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. You may also access reports and other information about the Funds on the EDGAR database on the SEC s Internet site at http://www.sec.gov.

The shares of the Funds are listed on the NYSE Alternext US (NYSE Alternext); reports, proxy statements and other information concerning the Acquired Fund can be inspected at the offices of the NYSE Alternext, 11 Wall Street, New York, New York 10005.

This Proxy Statement/Prospectus serves as a prospectus of the Acquiring Fund in connection with the issuance of the Acquiring Fund Common Shares and the Acquiring Fund MuniPreferred Shares in the Reorganization. No person has been authorized to give any information or make any representation not contained in this Proxy Statement/Prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This Proxy Statement/Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The Securities and Exchange Commission has not approved or disapproved these securities or determined whether the information in this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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PROXY STATEMENT/PROSPECTUS

APRIL 17, 2009

NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA)
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF)

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SUMMARY

The following is a summary of certain information contained elsewhere in this Proxy Statement/Prospectus and is qualified in its entirety by reference to the more complete information contained in this Proxy Statement/Prospectus and in the Reorganization SAI and the appendices thereto. Shareholders should read the entire Proxy Statement/Prospectus carefully. Certain capitalized terms used but not defined in this summary are defined elsewhere in the text of this Proxy Statement/Prospectus or in the Acquiring Fund s Statement Establishing and Fixing the Rights and Preferences of Municipal Auction Rate Cumulative Preferred Shares (the Acquiring Fund Statement) attached as Appendix A to the Reorganization SAI.

Proposal 1: The Reorganization

If the shareholders of each Fund approve the Reorganization and the common shareholders of the Acquiring Fund approve the issuance of additional Acquiring Fund Common Shares (see Proposal 2: Issuance of Additional Acquiring Fund Common Shares): (i) the Acquiring Fund will acquire all the assets of the Acquired Fund in exchange for newly issued Acquiring Fund Common Shares and newly issued Acquiring Fund MuniPreferred Shares, and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) the distribution of the Acquiring Fund Common Shares and Acquiring Fund MuniPreferred Shares held by the Acquired Fund to its common and preferred shareholders, respectively and (iii) the liquidation, dissolution and termination of the Acquired Fund in accordance with the Acquired Fund s Declaration of Trust. The number of Acquiring Fund Common Shares to be issued to the Acquired Fund would be that number having an aggregate per share net asset value equal to the aggregate value of the net assets of the Acquired Fund transferred to the Acquiring Fund. The aggregate net asset value of Acquiring Fund Common Shares received in the Reorganization will equal the aggregate net asset value of Acquired Fund common shares held immediately prior to the Reorganization. Prior to the closing of each Reorganization, the net asset value of the Acquired Fund and Acquiring Fund will be reduced by the costs of the Reorganization borne by such Fund. The number of Acquiring Fund MuniPreferred Shares to be issued to the Acquired Fund would be that number of shares of Acquiring Fund MuniPreferred Shares as was held of Acquired Fund MuniPreferred Shares, Series W. The aggregate liquidation preference of the Acquiring Fund MuniPreferred Shares received in the Reorganization will equal the aggregate liquidation preference of the Acquired Fund MuniPreferred shares held immediately prior to the Reorganization.

The Board of each Fund, including the trustees who are not interested persons, as defined in the 1940 Act, of each Fund, has unanimously approved the Reorganization. **The Board of each Fund recommends that the shareholders vote FOR the approval of the Reorganization**. See Proposal No. 1 The Reorganization.

Background and Reasons for the Reorganization

The Boards recommendation of the Reorganization reflects various considerations, among them: (i) the price level at which the Acquired Fund s common shares have traded over time in relation to their underlying net asset value on an absolute basis as well as relative to other closed-end funds; (ii) prior efforts to enhance, over time, the secondary market for the Acquired Fund s common shares, including investment strategies aimed at increasing common net earnings as well as common share repurchases; and (iii) the repeal of Florida s intangible

personal property tax which eliminated the state tax benefit to a Florida resident of owning a Florida-specific portfolio of municipal bonds. The Board of Trustees of the Acquiring Fund and the Acquired Fund believes the proposed merger is in the best interests of the Acquiring Fund and the Acquired Fund, respectively.

As a result of the Reorganization, the net assets of the Acquiring Fund and the Acquired Fund would be combined and the shareholders of the Acquired Fund would become shareholders of the Acquiring Fund. The investment objectives and policies of the Funds are similar except that the Acquired Fund invests in municipal bonds that that are exempt from the Florida intangible personal property tax and concentrates its assets in municipal bonds generally issued by the State of Florida, a municipality in Florida, or a political subdivision or agency or instrumentality of such State or municipality (Florida municipal bonds). The Board Members and officers of the larger combined entity would be identical to those of the Funds. The general portfolio characteristics of the larger combined entity would be similar to both Funds.

The Board of each Fund believes that the proposed Reorganization would be in the best interests of the Funds. In approving the Reorganization, the Boards considered information presented at the Board s meeting or earlier meetings regarding the Funds, the proposed Reorganization and a number of factors, including, among other things:

the secondary market trading history of the Funds (i.e., the price level at which the Funds shares have traded over time in relation to their underlying net asset value on an absolute basis and as compared to other closed-end funds) and prior efforts to enhance the secondary market for the common shares of the Acquired Fund;

the elimination of the Florida intangibles tax;

the compatibility of the investment objectives, policies and strategies of the Funds;

the potential opportunities to refinance MuniPreferred;

the relative fees and operating expense ratios of the Funds, including reimbursement of the Funds expenses agreed to by each Funds adviser;

the investment performance of the Funds;

the anticipated tax-free nature of the Reorganization;

the expected costs of the Reorganization and the extent to which the Funds would bear any such costs;

the terms of the Reorganization and whether the Reorganization would dilute the interests of shareholders of the Funds; and

any potential benefits of the Reorganization to the adviser as a result of the Reorganization.

In approving the Reorganization, the Boards considered, in particular, the following potential benefits:

Expected lower fees and operating expenses. After the Reorganization, the combined fund is expected to have lower fees and operating expenses per common share, excluding costs of leverage, than the Acquiring Fund and Acquired Fund from achieving greater economies of scale as the larger asset size of the combined fund is expected to

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result in a lower management fee rate and allow for the fixed operating costs to be spread over a larger asset base.

Enhanced relative investment performance. The combined fund is estimated to have an increase in common net earnings after the Reorganization compared to that of the Acquiring Fund and Acquired Fund and expected to have expanded opportunities for enhanced total returns due to the larger asset base (and in relation to the Acquired Fund, a nationally-diversified portfolio).

Improved secondary market trading. The estimated higher common net earnings, expected enhanced total returns over time, and the larger asset base of the combined fund after the Reorganization may lead to higher common share market prices relative to net asset value and the combined fund s greater market liquidity may lead to narrower bid-ask spreads and smaller trade-to-trade price movements. In addition, with respect to the Acquired Fund, the Board of the Acquired Fund also considered that a broader potential investor base of a national fund may also promote a higher common share price to net asset value.

Expanded MuniPreferred refinancing opportunities. After the Reorganization, the larger asset size of the combined fund may increase the ability to refinance the MuniPreferred with tender option bonds (TOBs). The greater portfolio diversification of the Acquiring Fund compared to the Acquired Fund may also enhance the combined fund s ability to refinance the MuniPreferred compared to that of the Acquired Fund. The Boards also considered that such refinancings may provide liquidity at par for MuniPreferred shareholders and lower the relative costs of leverage over time for common shareholders.

Continuity of investment objectives and strategies. The Boards considered the compatibility of the Funds investment objectives, policies and strategies except in relevant part, the Acquired Fund would invest primarily in municipal securities that pay interest exempt from an intangible personal property tax assessed by Florida on the value of stocks, bonds, other evidences of indebtedness and mutual fund shares. Florida repealed the intangible personal property tax in 2007 reducing the attractiveness of Florida bonds to investors formerly subject to the tax. Accordingly, a primary reason for the policy of the Acquired Fund to invest primarily in Florida municipal bonds was eliminated and the continuation of such policy is no longer necessary. With the Reorganization, the Acquired Fund common shareholders would be invested in a more diversified portfolio and their exposure to Florida obligations would decrease. In addition, both Funds have issued MuniPreferred to create leverage. Through the use of leverage, the Funds seek to enhance potential common share earnings over time by borrowing at short-term municipal rates and investing at long-term municipal rates which generally are higher. Although there are no assurances that the use of leverage will result in a higher yield or return to common shareholders, the Boards believe that the Acquiring Fund s use of leverage would continue to provide Acquired Fund common shareholders with the potential for higher monthly tax-exempt distributions and enhanced total returns on average over market cycles at a time when the municipal yield spreads are particularly wide or attractive. In addition, as discussed in more detail above, the larger asset base of the combined fund may increase its ability to refinance MuniPreferred with TOBs.

For a fuller discussion of the Boards considerations regarding the approval of the Reorganization, see Proposal No. 1 The Reorganization Reasons for the Reorganization.

Certain Federal Income Tax Consequences of the Reorganization

The Reorganization is intended to qualify as a reorganization for federal income tax purposes. If the Reorganization so qualifies, neither the Acquired Fund nor its shareholders will recognize any gain or loss for federal income tax purposes as a direct result of the transfers contemplated by the Reorganization. See Proposal No. 1 The Reorganization Certain Federal Income Tax Consequences of the Reorganization.

Comparison of the Acquiring Fund and the Acquired Fund

General. The Acquiring Fund and the Acquired Fund are both closed-end management investment companies. The Acquiring Fund is a diversified management investment company and the Acquired Fund is a non-diversified management investment company. The Acquiring Fund common shares are listed and trade on the NYSE Alternext under the symbol NEA and the Acquired Fund common shares are listed and trade on the NYSE Alternext under the symbol NWF. The Acquiring Fund and the Acquired Fund are organized as business trusts under the laws of the Commonwealth of Massachusetts. The common shares of each Fund have equal voting rights and equal rights with respect to the payment of dividends and distribution of assets upon liquidation and have no preemptive, conversion or exchange rights or rights to cumulative voting. All outstanding shares of Acquiring Fund MuniPreferred and Acquired Fund MuniPreferred are rated AAA by S&P and Aaa by Moody s. The Acquiring Fund MuniPreferred Shares issued to the Acquired Fund pursuant to the Reorganization will have rights and preferences, including liquidation preferences, that are substantially similar to those of the outstanding shares of Acquired Fund MuniPreferred. See Proposal No. 1 The Reorganization.

Investment Objectives and Policies. The Acquiring Fund and Acquired Fund have similar investment objectives. Both Funds investment objectives are to provide current income exempt from regular federal income tax and the alternative minimum tax applicable to individuals and enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Funds investment adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued. The Acquired Fund s shares will also be exempt from the Florida intangible personal property tax.

The Acquiring Fund and Acquired Fund also have similar investment policies. The Acquiring Fund, under normal circumstances, will invest at least 80% of its net assets, including assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or preferred shares outstanding (Acquiring Managed Assets), in a portfolio of securities that pay interest exempt from federal income taxes (municipal securities) and from the federal alternative minimum tax applicable to individuals. The Acquired Fund, under normal circumstances, will invest at least 80% of its average daily net assets, including assets attributable to any MuniPreferred shares that may be outstanding (Acquired Managed Assets) in a portfolio of municipal bonds that pay interest that is exempt from regular federal income tax and from the federal alternative minimum tax applicable to individuals, are exempt from the Florida intangible personal property tax, and are covered by insurance guaranteeing the timely payment of principal and interest thereon. The primary difference between the Fund s stated policies is that the Acquired Fund invests substantially all of its

assets in municipal bonds that are exempt from the Florida intangible personal property tax and therefore concentrates its assets in Florida municipal bonds. Effective January 1, 2007, the State of Florida repealed the state s intangible personal property tax, which eliminated the state tax benefit to a Florida resident of owning a Florida-specific portfolio of municipal bonds. See Reasons for the Reorganization Elimination of the Florida Intangibles Tax.

Board Members and Officers. The Acquiring Fund and the Acquired Fund have the same Board Members and officers. The management of each Fund, including general supervision of the duties performed by the Adviser (as defined below) under the Investment Management Agreement for each Fund, is the responsibility of its Board. There are currently nine (9) trustees of the Funds, one (1) of whom is an interested person (as defined in the 1940 Act) and eight (8) of whom are not interested persons (the independent trustees). The names and business addresses of the trustees and officers of the Funds and their principal occupations and other affiliations during the past five years are set forth under Management in the Reorganization SAI incorporated herein by reference.

Investment Adviser. Nuveen Asset Management (the Adviser or NAM) is responsible for investing each Fund s net assets. NAM oversees the management of the Funds portfolios, manages the Funds business affairs and provides certain clerical, bookkeeping and other administrative services. NAM is located at 333 West Wacker Drive, Chicago, Illinois 60606.

NAM, a registered investment adviser, is a wholly owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately $119 billion of assets under management as of December 31, 2008. On November 13, 2007, Nuveen Investments was acquired by investors led by Madison Dearborn Partners, LLC. Madison Dearborn Partners, LLC is a private equity investment firm based in Chicago, Illinois. See Management of the Funds-Investment Adviser.

The portfolio manager for the Acquiring Fund is Paul Brennan, CFA, CPA. Mr. Brennan manages several national open- and closed-end funds. Mr. Brennan began his career in the investment business in 1991 when he was a municipal credit analyst, then became a portfolio manager in 1994. He joined Nuveen Investments in 1997 while at Flagship Financial which Nuveen acquired. He earned his BS in Accountancy and Finance from Wright State University. He is a CPA, has earned the Chartered Financial Analyst designation, and currently sits on the Nuveen Asset Management Investment Management Committee. Prior to joining Flagship, Paul was employed at Deloitte & Touche within the audit group which participated in auditing mutual funds and investment advisers.

The portfolio manager for the Acquired Fund is Daniel Close, CFA. Mr. Close joined Nuveen Investments in 2000 as a member of Nuveen s product management and development team, where he was responsible for the oversight and development of Nuveen s mutual fund product line. He then served as a research analyst for Nuveen s municipal investing team, covering corporate-backed, energy, transportation and utility credits. He received his BS in Business from Miami University and his MBA from Northwestern University s Kellogg School of Management. Mr. Close has earned the Chartered Financial Analyst designation.

Pursuant to an Investment Management Agreement between the Adviser and each Fund, each Fund pays an annual management fee for the services and facilities furnished by the Adviser on a monthly basis at the following annual rates:

Management Fee Schedule

Average Daily Net Assets (including net assets attributable to preferred shares)	**Rate**
Up to $125 million	0.4500%
$125 to $250 million	0.4375%
$250 to $500 million	0.4250%
$500 million to $1 billion	0.4125%
$1 billion to $2 billion	0.4000%
$2 billion and over	0.3750%

In addition to the fund-level fee, each Fund pays a complex-level fee. The complex-level fee is the same for each Fund and begins at a maximum rate of 0.20% of each Fund s net assets, based upon complex-level assets of $55 billion, with breakpoints for assets above that level. Therefore, the maximum management fee rate for each Fund is the fund-level fee plus 0.20%. As of December 31, 2008, the effective complex-level fee for each Fund was 0.20% of net assets. See Management of the Funds Investment Adviser.

The Acquiring Fund paid aggregate management fees of $2,527,989 for the fiscal year ended October 31, 2008, for an effective management fee rate of 0.96% based on net assets applicable to common shares (0.62% based on managed assets). The Acquired Fund paid aggregate management fees of $534,685 for the fiscal year ended April 30, 2008, for an effective management fee rate of 0.97% based on net assets applicable to common shares (0.63% based on managed assets).

Dividends and Distributions. The Funds have identical dividend policies with respect to the payment of dividends on their common shares. Each Fund s present policy, which may be changed by its Board, is to make regular monthly cash distributions to holders of its common shares at a level rate (stated in terms of a fixed cents per common share dividend rate) that reflects the past and projected performance of the Fund. Distributions can only be made from net investment income after paying any accrued dividends to MuniPreferred shareholders. Each Fund s ability to maintain a level dividend rate will depend on a number of factors, including dividends payable on the MuniPreferred shares. The net investment income of each Fund generally consists of all interest income accrued on portfolio assets less all expenses of the Fund. Over time, all the net investment income of each Fund will be distributed. At least annually, each Fund also intends to distribute net capital gain and ordinary taxable income, if any, after paying any accrued dividends or making any liquidation payments to MuniPreferred shareholders. Holders of common shares of each Fund may elect to have all distributions automatically reinvested in common shares of the Fund pursuant to that Fund s Dividend Reinvestment Plan. See Proposal No. 1 The Reorganization Description of Common Shares Issued by the Acquiring Fund Distributions and Dividend Reinvestment Plan and Additional Information About the Funds Feder Income Tax Matters Associated with Investment in the Funds.

The dividend rates on shares of each Fund s MuniPreferred, including the Acquiring Fund MuniPreferred Shares issued pursuant to the Reorganization, are structured to be determined on the

6

basis of auctions, which are scheduled to be held weekly. In February 2008, escalating liquidity pressures across financial markets led to the systemic failure of the auction rate preferred securities (ARPS) market and the auction process used to set the ARPS dividend rate. This failure is ongoing and affects the Funds MuniPreferred Shares whose dividend rates are currently set by reference to a predetermined, index-based formula (the Maximum Rate). See Proposal No. 1 The Reorganization Description of MuniPreferred Issued by the Acquiring Fund and The Auction and the Reorganization SAI.

Credit Quality. A comparison of the credit quality of the respective portfolios of the Acquiring Fund and the Acquired Fund, as of January 31, 2009, is set forth in the table below.

Credit Rating	Acquiring Fund	Acquired Fund	Combined Fund Pro-Forma(1)
Aaa/AAA*	38.5%	43.8%	39.0%
Aa/AA	32.8	36.7	34.4
A/A	20.3	15.3	19.0
Baa/BBB	7.4	1.8	6.3
Unrated	1.0	2.4	1.3
TOTAL	100.0%	100.0%	100.0%

* Includes securities that are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.

(1) Reflects the effect of the Reorganization.

Maturity and Duration. A comparison of the maturity and duration of the respective portfolios of the Acquiring Fund and the Acquired Fund, as of January 31, 2009, is set forth in the table below.

Fund	Weighted Average Leverage Adjusted Duration	Weighted Average Maturity
Acquiring	14.09	19.35
Acquired	10.44	16.15
Combined Fund Pro-Forma(1)	13.45	18.79

(1) Reflects the effect of the Reorganization.

Capitalization

The following table sets forth the unaudited capitalization of the Funds as of October 31, 2008, and the pro-forma combined capitalization of the combined Fund as if the Reorganization had occurred on that date. The table reflects a pro-forma exchange ratio of approximately

1.014057 common shares of the Acquiring Fund issued for each common share of the Acquired Fund. If the Reorganization is consummated, the actual exchange ratio may vary.

	Acquiring	**Acquired**	**Combined**	
			"> 1,938	2,002
Intangible assets **5**	1,491	1,484		
Current tax assets	350	314		
Deferred tax assets	1,291	1,641		
Other assets **6**	15,624	14,722		
Total assets	**859,646**	**842,216**		
Liabilities				
Deposits from banks	39,248	31,964		
Customer deposits	533,196	522,908		
Financial liabilities at fair value through profit or loss **7**	103,202	98,974		
Current tax liabilities	571	546		
Deferred tax liabilities	360	624		
Provisions	1,873	2,028		
Other liabilities **8**	17,598	16,852		
Debt securities in issue **9**	98,968	103,234		
Subordinated loans **9**	16,340	17,223		
Total liabilities	**811,356**	**794,353**		
Equity 10				
Share capital and share premium	17,043	16,989		
Other reserves	4,963	5,897		
Retained earnings	25,610	24,371		
Shareholders equity (parent)	**47,616**	**47,257**		
Non-controlling interests	674	606		
Total equity	**48,290**	**47,863**		
Total equity and liabilities	**859,646**	**842,216**		

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

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

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Condensed consolidated statement of

profit or loss

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

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

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

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

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

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Condensed consolidated statement of profit or loss - continued

6 month period	**1 January to 30 June**	
in EUR	**2017**	**2016**
Earnings per ordinary share 18		
Basic earnings per ordinary share	0.77	0.60
Diluted earnings per ordinary share	0.77	0.60
Earnings per ordinary share from continuing operations 18		
Basic earnings per ordinary share from continuing operations	0.77	0.48
Diluted earnings per ordinary share from continuing operations	0.77	0.48
Dividend per ordinary share **19**	0.24	0.24

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

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

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Condensed consolidated statement of comprehensive

income

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

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

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Condensed consolidated statement of changes in equity

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

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

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

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

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Condensed consolidated statement of cash flows

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

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Condensed consolidated statement of cash flows - continued

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

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

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

6 month period	1 January to 30 June	
in EUR million	**2017**	2016
Interest received	22,462	22,427
Interest paid	16,140	16,426
	6,322	**6,001**
Dividend received	41	34
Dividend paid	1,632	1,590

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

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Notes to the accounting policies

Notes to the Condensed consolidated interim accounts

amounts in millions of euros, unless stated otherwise

Notes to the accounting policies

Reporting entity

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

Basis of preparation of the Consolidated interim accounts

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

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

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

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

IFRS-EU refers to International Financial Reporting Standards as adopted by the European Union (EU), including the decisions ING Group made with regard to the options available under IFRS as adopted by the EU. The published 2016 Consolidated annual accounts of ING Group are presented in accordance with IFRS-EU. The annual accounts of ING Group will remain to be prepared under IFRS-EU. IFRS-EU differs from IFRS-IASB in respect of certain paragraphs in IAS 39 Financial Instruments: Recognition and Measurement regarding hedge accounting for portfolio hedges of interest rate risk.

Under IFRS-EU, ING Group applies fair value hedge accounting for portfolio hedges of interest rate risk (fair value macro hedges) in accordance with the EU carve out version of IAS 39. Under the EU IAS 39 carve-out , hedge accounting may be applied, in respect of fair value macro hedges, to core deposits and hedge ineffectiveness is only recognised when the revised estimate of the amount of cash flows in scheduled time buckets falls below the original designated amount of that bucket and is not recognised when the revised amount of cash flows in scheduled time buckets is more than the original designated amount. Under IFRS-IASB, hedge accounting for fair value macro hedges cannot be applied to core deposits and ineffectiveness arises whenever the revised estimate of the amount of

cash flows in scheduled time buckets is either more or less than the original designated amount of that bucket.

This information is prepared by reversing the hedge accounting impacts that are applied under the EU carve out version of IAS 39. Financial information under IFRS-IASB accordingly does not take account of the possibility that had ING Group applied IFRS-IASB as its primary accounting framework it might have applied alternative hedge strategies where those alternative hedge strategies could have qualified for IFRS-IASB compliant hedge accounting. These decisions could have resulted in different equity and net result amounts compared to those indicated in these Condensed interim accounts. A reconciliation between IFRS-IASB and IFRS-EU is included below.

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

Notes to the accounting policies - continued

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

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

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

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

1 Accounting policies

Changes in IFRS effective in 2017

In 2017, the following amendments became effective:

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

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

Annual improvement cycle 2014 2016: IFRS 12, Disclosure of interest in other entities

ING Group will apply these amendments for annual periods beginning on or after 1 January 2017. The implementation of these amendments will have no significant impact on ING Group s results or financial position. ING Group has not early adopted any other standard, interpretation or amendment which has been issued, but is not yet effective.

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

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

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

Upcoming changes in IFRS

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

IFRS 9 Financial Instruments

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

IFRS 9 program governance and status

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

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

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Notes to the accounting policies - continued

Classification and Measurement

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

Impact

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

Impairment

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

Impact

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

Hedge Accounting

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases the new accounting standard for leases. The new standard is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease . The new standard removes for lessee accounting, the distinction between operating or finance leases, resulting in all leases being treated as finance leases. All leases will be recognised on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee s assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee s financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. Furthermore the standard provides some practical options and exemptions to ease the costs of transition. Lessor accounting remains substantially unchanged. ING Group will adopt the standard at its effective date and is currently assessing the impact of this standard

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Notes to the Condensed consolidated statement of financial position

Notes to the Condensed consolidated statement of financial position

2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

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

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

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

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

3 Investments

Investments by type

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

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

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Notes to the Condensed consolidated statement of financial position - continued

Exposure to debt securities

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

Debt securities

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

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

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

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

Bond portfolio	**69,199**	**78,888**	**10,306**	**8,751**	**5,835**	**7,471**	**203**	**952**	**85,543**	**96,062**

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

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Notes to the Condensed consolidated statement of financial position - continued

4 Loans and advances to customers

Loans and advances to customers by type

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

Changes in loan loss provisions

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

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

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

5 Intangible assets

Intangible assets

	30 June 2017	**31 December 2016**
Goodwill	868	903
Software	615	571
Other	8	10
	1,491	**1,484**

Notes to the Condensed consolidated statement of financial position - continued

Goodwill

Goodwill is allocated to groups of CGUs as follows:

Goodwill allocation to group of CGUs

Group of CGU s	30 June 2017	31 December 2016
Retail Belgium	50	50
Retail Germany	349	349
Retail Growth Markets[1]	347	375
Wholesale Banking[1]	122	129
	868	**903**

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

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

Goodwill impairment testing

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

6 Other assets

Other assets by type

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

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

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

7 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss

Other assets by type

	30 June 2017	31 December 2016
Trading liabilities	88,677	83,167
Non-trading derivatives	2,939	3,541
Designated at fair value through profit or loss	11,586	12,266
	103,202	**98,974**

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

Notes to the Condensed consolidated statement of financial position - continued

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

8 Other liabilities

Other liabilities by type

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

Other liabilities Other relates mainly to period-end accruals.

9 Subordinated loans and Debt securities in issue

Subordinated loans

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

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

Debt securities in issue

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

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

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Notes to the Condensed consolidated statement of financial position - continued

10 Equity

Total equity

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

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Notes to the Condensed consolidated statement of profit or loss

Notes to the Condensed consolidated statement of profit or loss

11 Net interest income

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

12 Valuation results and net trading income

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

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

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

13 Investment income

Investment income

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

14 Other income

Other income

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

Results from associates and joint ventures

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

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

15 Staff expenses

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

16 Other operating expenses

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

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

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

Intangible amortisation and (reversals of) impairments

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

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

17 Discontinued operations

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

Total net result from discontinued operations

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

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

Net result from disposal of discontinued operations

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

January 2016 Loss of significant influence over NN Group

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

February 2016 Final tranche exchange of subordinated notes: Anchor investors

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

statement of profit or loss of ING Group.

April 2016 Divestment of remaining shareholding in NN Group

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

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

18 Earnings per ordinary share

Earnings per ordinary share

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

19 Dividend per ordinary share

Dividends to shareholders of the parent

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

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

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

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Segment reporting

Segment reporting

20 Segments

a. General

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

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

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

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

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

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

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

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

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

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Segment reporting - continued

b. ING Group

ING Group Total
6 month period

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

1 Comprises for the most part the funding charges of ING Groep N.V. (Holding).
2 Insurance Other mainly comprises the net result relating to warrants on the shares of Voya and NN Group
Reconciliation between Underlying and IFRS income, expenses and net result

6 month period 1 January to 30 June 2017	Income	Expenses	Taxation	Non-Controlling interests	Net result[1]
Underlying	9,598	5,284	1,226	44	3,044
Insurance Other	64				64

Net result IFRS attributable to equity holder of the parent	**9,534**	**5,284**	**1,226**	**44**	**2,980**

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

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Segment reporting - continued

ING Group Total
6 month period

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

1 Comprises for the most part the funding charges of ING Groep N.V. (Holding).
2 Insurance Other comprises mainly the net result relating to warrants on the shares of Voya and NN Group.

Reconciliation between Underlying and IFRS income, expenses and net result
6 month period

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

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

1 Net result, after tax and non-controlling interests.
Special items in the first six months of 2016 comprise additional charges related to previously announced restructuring programmes in Retail Netherlands that were announced before 2013.

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

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Segment reporting - continued

c. Banking activities

Segments Banking by line of business
6 month period

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

Segments Banking by line of business
6 month period

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

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

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Segment reporting - continued

Geographical segments Banking

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

Geographical segments Banking

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

Underlying net result	**763**	**270**	**219**	**231**	**228**	**346**	**46**	**2,011**
Special items	13							13
Net result IFRS	**750**	**270**	**219**	**231**	**228**	**346**	**46**	**1,999**

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

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Additional notes to the Condensed consolidated interim accounts

Additional notes to the condensed consolidated interim accounts

21 Fair value of financial assets and liabilities

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

Fair value of financial assets and liabilities

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

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

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Additional notes to the Condensed consolidated interim accounts - continued

Fair value hierarchy

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

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

Level 1 (Unadjusted) quoted prices in active markets

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

Level 2 Valuation technique supported by observable inputs

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

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

Level 3 Valuation technique supported by unobservable inputs

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

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

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Additional notes to the Condensed consolidated interim accounts - continued

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

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

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

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

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

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

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Additional notes to the Condensed consolidated interim accounts - continued

Changes in Level 3 Financial assets

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

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

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

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

Financial liabilities designated as at

Changes in Level 3 Financial liabilities

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

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

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

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Additional notes to the Condensed consolidated interim accounts - continued

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

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

Recognition of unrealised gains and losses in Level 3

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

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

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

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

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

Level 3 Financial assets and liabilities

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

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

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

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

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

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Additional notes to the Condensed consolidated interim accounts - continued

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

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

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

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

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Additional notes to the Condensed consolidated interim accounts - continued

Valuation techniques and range of unobservable inputs (Level 3)

	Assets		Liabilities		Valuation techniques	Significant unobservable inputs	Lower range		Upper range	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016			**30 June 2017**	31 December 2016	**30 June 2017**	31 December 2016
At fair value through profit or loss										
Debt securities	329	180			Price based	Price (%)	0%	0%	125%	122%
					Net asset value	Price (%)	0%	10%	0%	19%
Equity securities	2	4			Price based	Price (%)	1%	0%	8%	0%
Loans and advances	233	326	1	3	Price based	Price (%)	60%	60%	79%	101%
					Present value techniques	Credit spread (bps)	130	130	130	150
Structured notes	1	6	118	125	Price based	Price (%)	52%	52%	117%	111%
					Net asset value	Price (%)	n.a	19%	n.a	19%
					Option pricing model	Equity volatility (%)	15%	16%	28%	34%
						Equity/Equity correlation	0.0	0.0	0.7	0.8
						Equity/FX correlation	0.4	0.4	0.3	0.1
						Dividend yield (%)	1%	1%	4%	5%
						Interest rate volatility (%)	n.a	n.a	n.a	n.a
					Present value techniques	Implied correlation	0.7	0.7	0.7	0.7
Derivatives										
Rates	554	486	486	457	Option pricing model	Interest rate volatility (bps)	26	22	300	300
						Interest rate correlation	n.a	n.a	n.a	n.a
						IR/INF correlation	0.5	0.5	0.5	0.5
					Present value techniques	Reset spread (%)	2%	2%	2%	2%
						Prepayment rate (%)	5%	5%	10%	10%
						Inflation rate (%)	3%	2%	4%	4%
FX	367	642	367	688	Present value techniques	Inflation rate (%)	3%	2%	3%	3%

Credit	21	33	42	43	Present value techniques	Credit spread (bps)	3	0	347	1,596
						Implied correlation	0.7	0.7	1.0	1.0
						Jump rate (%)	12%	12%	12%	12%
					Price based	Price (%)	n.a	99%	n.a	99%
Equity	211	258	188	208	Option pricing model	Equity volatility (%)	6%	0%	140%	140%
						Equity/Equity correlation	0.5	0.1	1.0	1.0
						Equity/FX correlation	0.9	0.9	0.8	0.6
						Dividend yield (%)	0	0%	24%	13%
Other	3			1	Option pricing model	Commodity volatility (%)	11%	13%	43%	55%
						Com/Com correlation	0.3	0.0	0.9	0.9
						Com/FX correlation	0.9	0.5	0.8	0.0
Available for sale										
Debt	38	55			Price based	Price (%)	65%	0%	97%	99%
					Present value techniques Credit spread (bps)		339	339	400	400
						Weighted average life (yr)	1.5	1.6	3.1	3.2
Equity	462	466			Discounted cash flow	Financial Statements	n.a	n.a	n.a	n.a
					Multiplier method	Observable market factors	n.a	n.a	n.a	n.a
					Comparable transactions		n.a	n.a	n.a	n.a
Total	**2,221**	**2,456**	**1,202**	**1,525**						

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

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Additional notes to the Condensed consolidated interim accounts - continued

Sensitivity analysis of unobservable inputs (Level 3)

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

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

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

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

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

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

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

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

Sensitivity analysis of Level 3 instruments	Positive fair value movements from using reasonable possible alternatives	Negative fair value movements from using reasonable possible alternatives

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

22 Companies and business acquired and divested

Acquisitions

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

Divestments

Divestments in the first six months of 2017

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

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Additional notes to the Condensed consolidated interim accounts - continued

23 Related parties

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

24 Subsequent events

There were no subsequent events

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Important legal information

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

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

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

Cautionary Statement with Forward- Looking Statements

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

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

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

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

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SIGNATURES

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

ING Groep N.V.
(Registrant)

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

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

Date 1 August 2017