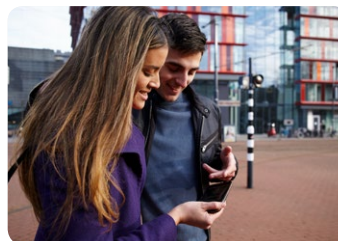










## Better financial decisions: the Think Forward Initiative



Buying a new house is exciting, but emotions can get in the way of smart financial decisions. In the Think Forward Initiative, ING teams up with businesses and experts in a public platform to research how consumers make decisions about money. The aim is to promote awareness and the development of policies and tools to help consumers manage their finances better.



The world around us – continued

Opportunities & Risks	Material topic	Our approach and performance	More information
<b>Customer centricity</b>			
<p><b>Opportunities:</b></p> <p>Driven by changing customer needs, banks have an opportunity to make their products and services available anytime, anywhere. Advanced data analytics will help banks to understand customers' needs and preferences, and allow banks to offer more personalised products and services.</p> <p>Banks are strictly regulated and are therefore less flexible when it comes to developing new ways to improve the customer experience. However, partnerships with external financial technology companies – usually start-ups – who can move faster will strengthen the bank's transition towards digitalisation.</p> <p><b>Risks:</b></p> <p>Customer expectations are changing, enabled by technology, forcing banks to go digital. Inherent in that are risks related to privacy and data security. Banks must adhere to legal obligations and ensure customer data is handled with the utmost care in a world where cyber-attacks are on the rise, both in frequency and intensity.</p> <p>Fintechs are very focused in their product and services offerings and cater to specific customer needs, targeting segments underserved by traditional banks.</p>	<p><b>A Innovative business developments</b></p> <p>Fintechs are developing rapidly and our customers' expectations are evolving every day. It is up to us to adapt and innovate to remain relevant.</p> <p>At the same time, the transition to a circular economy will change the business models of our clients and, related to that, their financial needs.</p>	<p>ING believes that innovative businesses are built on a culture of innovation.</p> <p>The third edition of our annual Innovation Bootcamp attracted 1,194 ideas. The Innovation Fund is currently supporting four initiatives. And by the end of 2016, ING had more than 65 fintech partners, of which we invested in 11.</p> <p>In 2016, more than 2,000 employees were trained in the PACE methodology, a structured process to accelerate innovation at ING.</p>	<ul style="list-style-type: none"> <li> <i>Creating a culture of innovation section in the "Improving the customer experience" chapter.</i></li> <li> <i>Providing a differentiating customer experience section in the "Retail Banking" chapter.</i></li> </ul>
	<p><b>B Customer privacy and data security</b></p> <p>It is our duty to handle our customers' data with the utmost care. We strive to be transparent about what we do with the personal data of customers, suppliers and business partners, and only to process personal data for specific business purposes.</p>	<p>All business units have adopted Global Data Protection Policies (GDPPs) that qualify as Binding Corporate Rules. In each business unit and at bank level, a data protection executive is responsible for maintaining GDPP compliance.</p> <p>The GDPP is currently being revised to comply with new EU General Data Protection Regulation 2016/679 which must be adhered to by May 2018.</p>	<ul style="list-style-type: none"> <li> <i>Data privacy and security section in the "Improving the customer experience" chapter.</i></li> <li> <i>Balancing our responsibilities: Innovation vs data protection in "The world around us" chapter.</i></li> </ul>
	<p><b>C Enhancing customer financial capabilities</b></p> <p>Helping people make smarter financial decisions through transparent tools, tailored offers and expert advice.</p>	<p>In 2016, more than 23.9 million people felt financially empowered by ING, a 16.6% increase compared to 2015. We introduced products and services such as "Kijk Vooruit" and My Money Coach to help people make better financial decisions.</p>	<ul style="list-style-type: none"> <li> <i>Financial empowerment section in the "Retail Banking" chapter.</i></li> </ul>
	<p><b>D Stability of IT systems and platforms</b></p> <p>Securing the stability of ING's IT systems and platforms, such as payment services, internet banking and apps.</p>	<p>The Focused Reliability Initiative was launched in 2015 to find permanent solutions for system reliability issues in the Netherlands and Belgium. Continuing the programme in 2016, ING's channel availability improved to 99.75% on average in the Netherlands, Belgium and Wholesale Banking.</p>	<ul style="list-style-type: none"> <li> <i>Reliability and stability section in the "Improving the customer experience" chapter.</i></li> </ul>
	<p><b>E Usability and accessibility of our products and services</b></p> <p>We want to stand out by making banking available to our customers anytime, anywhere through our digital-first approach, complemented by advice when needed, with omnichannel contact and distribution possibilities.</p>	<p>ING's customers are already digital and increasingly mobile. Digital channels now account for 98% of contact with retail customers and mobile interactions increased by more than 50% during 2016. ING's promise to deliver services anytime, anywhere implies a commitment to make these products and services accessible and inclusive to all sections of society. ING in Poland, for instance, makes use of technology to help deaf customers who have previously had to bring an interpreter with them to do their banking. And in 2016, there was a strategic shift from traditional microfinance portfolios in India and Turkey to a more diversified portfolio, both in location and the mix of financial services offered.</p>	<ul style="list-style-type: none"> <li> <i>Introduction section in the "Improving the customer experience" chapter.</i></li> <li> <i>Providing a differentiating customer experience section in the "Retail Banking" chapter.</i></li> <li> <i>Financial empowerment and Financial inclusion sections in the "Retail Banking" chapter.</i></li> </ul>

The world around us – continued

Opportunities & Risks	Material topic	Our approach and performance	More information
<b>Customer centricity (continued)</b>			
	<p><b>F Fair communications about products and services</b></p> <p>We communicate clearly and easily to customers on products and services.</p>	<p>We believe banking should be about clear products, plain language, fair prices and simple processes.</p> <p>To ensure fair pricing and communication on our products and services, we have a Product Approval and Review Process (PARP). Customers are able to provide feedback on products and services through ratings and online communities via ING websites.</p> <p>In Wholesale Banking, we continued with our transformation programme, Wholesale Target Operating Model (Wholesale TOM), further driving simplification, business growth and innovation across the network</p>	<p>Providing a differentiating customer experience section in the “Retail Banking” chapter.</p> <p>Delivering a differentiating customer experience section in the “Wholesale Banking” chapter.</p>
	<p><b>G Responsible lending and debt prevention</b></p> <p>We have responsible lending activities and prevent customers from going into financial distress.</p>	<p>ING believes financially empowered people contribute to a healthy economy and this helps drive social progress. We offer all kinds of activities to prevent customers from going into financial distress and to ensure responsible lending.</p>	<p>Financial empowerment section in the “Retail Banking” chapter.</p> <p>Environmental and Social Risk management section in the “Risk and capital management” chapter.</p>

Economic contribution

<p><b>Opportunities:</b></p> <p>Simplifying business and operating models will help banks enhance the customer experience while reducing costs and risk.</p> <p>Customers prefer a trusted institution acting as a store of value, as a source of finance and as a facilitator of transactions, providing traditional (well-established) banks with an advantage over the new entrants and fintechs.</p> <p>As distribution and communication channels become more direct and available 24/7, customers expect instant and continuous access to their funds and our services. The organisation must evolve accordingly.</p> <p>Banks should embrace regulatory intent to create sound, secure, unbiased businesses, where regulatory compliance is embedded in the processes and values of day-to-day operations.</p> <p><b>Risks:</b></p> <p>Low interest rates, including negative rates in some countries, are putting banks' net interest income and net interest margin under pressure. Increased regulatory requirements have an impact on the way banks do business. For instance, enhanced regulation on capital and liquidity will continue to increase regulatory costs. And uncertainty around European regulation on bank taxes, risk-weight calculation and loss-absorption requirement is hampering the new ways of doing business.</p> <p>New EU regulations, such as PSD2, are opening up financial services to competitors outside the sector thereby reducing the barriers for entry.</p>	<p><b>H Financial performance*</b></p> <p>Being a financially healthy and stable company is important to us and our stakeholders.</p>	<p>ING Group recorded a robust commercial and financial growth in 2016, with a full-year 2016 net profit of EUR 4,651 million, an increase of 16% year-on-year. We have already met several of our Ambition 2020 targets, including those for capital, leverage ratio and dividend.</p>	<p>“Facts and key figures”, “Our strategy and how we create value” and “The world around us” chapters.</p>
	<p><b>I Pricing of products and services</b></p> <p>A fair price for our products and services increases accessibility for our customers and is important for our competitiveness in the marketplace.</p>	<p>With deposits at the ECB already earning negative interest rates, we have to continuously balance customer expectations with the prices we offer to remain profitable. To address this trade-off, we actively manage our interest rate risk exposure and successfully maintained the net interest margin on our core lending in 2016. To manage this challenge moving forward we are proactively containing costs, developing new offerings at fair pricing that help empower our customers and generate fee-based income.</p> <p>By end-2016 our total number of customers stood at 35.8 million, an increase of around 3 million compared to 2014 when we launched the Think Forward strategy.</p>	<p>“Our strategy and how we create value” chapter.</p>
	<p><b>J Managing risks (financial risks* and non-financial risks)</b></p> <p>Managing risks is at the heart of what we do and can have a material impact on our business and society. Safe banking requires strong risk management, both financial and non-financial.</p>	<p>We experienced healthy lending growth and declining risk costs resulting from active management of non-performing loans. ING Bank's nonperforming loans (NPLs) expressed as a percentage of lending credit outstandings further improved. The NPL ratio decreased at the end of 2016 to 2.1% from 2.5% at the end of 2015.</p> <p>ING Bank's loan-to-deposit ratio rose to 1.05 compared to 1.04 at the end of 2015, mostly due to growth of the loan book.</p>	<p>More information on both our financial and non-financial risks (including ESR) in the “Risk and capital management” chapter.</p>

\* The material topics with asterisk (\*) are not part of the KPMG assurance engagement in relation to the non-financial information. Financial risks are an integral part of the audited consolidated annual accounts.







The world around us – continued

Opportunities & Risks	Material topic	Our approach and performance	More information
<b>Fair operating practices</b>			
<p><b>Opportunities:</b></p> <p>With regulatory initiatives such as Single Supervisory Mechanism (SSM) - the new system of banking supervision for Europe - banks could benefit from harmonised supervision that can enhance the creation of one digital platform across borders.</p> <p>Financing and investing in the transition to a fair and green economy will help create corporate and societal value in mid- to long term.</p> <p><b>Risks:</b></p> <p>Increased involvement of (local) governments in financial systems through policy making and the lack of coordination among regulators may hinder the emergence of a level playing field among the traditional banks and newcomers.</p> <p>Besides government involvement, stakeholders are pushing banks to include environmental and social issues such as climate-change risk and human rights in financing and investing decisions.</p> <p>Anti-competitive behaviour and corruption can damage our reputation and have a direct impact on our license to operate.</p>	<p><b>K Regulatory developments</b></p> <p>Monitoring regulatory developments and aiming to act in accordance with the expectations of society.</p>	<p>ING monitors external developments to ensure we can assess the impact of and respond to relevant initiatives.</p> <p>In order to identify, discuss and align our response to important regulatory developments, ING has set up two internal steering committees, one dealing with Supervision and Prudential Regulation and the other dealing with Business Conduct Regulation.</p>	<p>Progress on regulatory initiatives that are most relevant to us in “The world around us” chapter.</p>
	<p><b>L Anti-competitive behaviour prevention*</b></p> <p>ING’s role and activities in preventing anti-competitive behaviour, anti-trust and monopoly practices.</p>	<p>Anti-competitive behaviour undermines ING’s values and vision to see customers empowered as it limits choices and restricts the market. It is ING’s policy to fully comply with all competition laws applicable to its entire range of activities.</p> <p>Further, for non-financial risks topics, global education and awareness in the form of e-learning modules, awareness sessions and material is provided.</p>	<p>“Corporate governance” chapter.</p>
	<p><b>M Corruption prevention*</b></p> <p>ING’s role and activities in preventing corruption practices.</p>	<p>Bribery and corruption are criminal offences and are clear violations of the ING Values. ING has a zero tolerance policy on bribery and corruption. We expect all our employees to always do business in accordance with the highest standards of ethical behaviour and honesty.</p> <p>Further, for non-financial risks topics, global education and awareness in the form of e-learning modules, awareness sessions and material is provided.</p>	<p>Statement on anti-bribery principles in the “Risk and capital management” chapter and “Non-financial appendix”.</p> <p>Key developments section in the “Risk and capital management” chapter.</p>
	<p><b>N Sustainable finance and investment policies</b></p> <p>Having clear policies guiding our finance and investment decisions; supporting clients in improving their environmental and social practices; identifying customers and projects that provide sustainable solutions and outperform their sector on environmental or social performance.</p>	<p>We promote activities that have a positive impact on society through financing sustainable transitions and increasing sustainable assets under management (SAuM). In 2016, our sustainable transitions financed (STF) was 34.3 billion and our SAuM was 3.3 billion. Furthermore, our strengthened Environmental and Social Risk (ESR) framework guides our decisions for client engagement and assessing finance proposals.</p>	<p>Accelerating the financing of sustainable transitions section in the “Wholesale Banking” chapter.</p> <p>Socially Responsible Investment section in the “Retail Banking” chapter.</p> <p>Environmental and Social Risk management section in the “Risk and capital management” chapter.</p>

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The world around us – continued

Opportunities & Risks	Material topic	Our approach and performance	More information
<b>Stakeholder engagement</b>			
<p><b>Opportunities:</b> Customers tend to trust banks over new entrants and fintechs. Being transparent about what's in our portfolio, shows the diversity of investments and loans covering all sectors. Furthermore it shows banks have nothing to hide and are open to discussions.</p> <p><b>Risks:</b> A lack of openness and transparency between banks and their stakeholders may lead to a mismatch between expectations and banks' services. Trust is another important element for both customer and society. A lack of all these elements could lead to an unfavourable public image from both customers and society, possibly leading to a decrease in customers and increased regulation.</p>	<p><b>O Transparency and openness</b> Being transparent and open about our investments, products and services, and other topics to help the business move forward and earn the trust of our stakeholders.</p> <p><b>P Trust</b> Maintaining the confidence of our stakeholders by acting with professionalism and integrity and placing the customer at the heart of everything we do via our Customer Promise.</p>	<p>Being transparent and open about our investments, products and services, and other topics is helping the business move forward and earning the trust of our stakeholders. We aim to find the right balance between providing the transparency and openness that society and NGOs ask of us, while respecting our customers' privacy.</p> <p>The ING Orange Code - a set of values and behaviours that sets out our way of working - provides a framework for a shared culture uniting all our employees around the world. We put "integrity above all". In a survey in 2016, 79% of employees said they were aware of the code.</p> <p>In 2016, the number of retail primary relationships grew by more than 8% to 9.7 million, indicating customers' trust in us.</p>	<p> <i>Balancing our responsibilities section in "The world around us" chapter.</i></p> <p> <i>Simplified balance sheet in the "Non-financial Appendix" chapter.</i></p> <p> <i>"People" chapter (Orange Code).</i></p> <p> <i>"Our strategy and how we create value" chapter.</i></p>
<b>Human capital</b>			
<p><b>Opportunities:</b> More diverse companies are more successful in attracting and retaining talent, relate to customers better, have higher employee engagement and are better at decision-making. Also, motivated, enabled and energised employees, being the primary resource and ambassadors of a bank, enhance the business performance of banks.</p> <p><b>Risks:</b> Employees are the primary resource and ambassadors of the company. Losing our employees, or not having a diverse group of employees, could lead to sub-optimal performance/results (financial risks) as well as a reputational risk.</p>	<p><b>Q Diversity and equal opportunities, preventing discrimination</b> Ensuring ING's employees are diverse and have equal career opportunities. Also, striving to create an inclusive corporate culture that welcomes, acknowledges, respects and benefits from each other's differences.</p> <p><b>R Being a good employer</b> Creating an entrepreneurial, open, collaborative, innovative and energetic culture within an organisation to ensure we attract and motivate our employees and deliver on our Customer Promise.</p>	<p>We introduced a diversity manifesto, "Success through difference", in January 2016 that applies to all employees worldwide. This policy sets out what diversity means at ING, why it is important, and what employees can do. Discrimination is against the law, which is reflected in ING's policies.</p> <p>The Bloomberg Financial Services Gender-Equality Index was published for the first time in May 2016. ING was ranked as one of the most transparent financial sector companies for diversity and social equality.</p> <p>ING's Winning Performance Culture (WPC) survey looks at how engaged, enabled and energised employees are. A WPC survey was conducted in September 2016. Around 70% of employees responded. ING achieved an overall engagement score of 77%, exceeding the 70% target it had set.</p>	<p> <i>Who we are section in the "People" chapter.</i></p> <p> <i>Employee engagement section in the "People" chapter.</i></p>