

Report of the Supervisory Board

Important topics on the agenda of the Supervisory Board in 2016 were the acceleration of the bank's Think Forward strategy, capital requirements, the accounting for the NN anchor investments, completion of the divestment of NN Group, sustainability, the enhancement of ING's internal controls and associated risk mitigation, and developments in the regulatory and external supervision landscape. The committees of the Supervisory Board discussed a range of subjects, the main ones being the interests of ING's clients and other stakeholders, the quarterly results, corporate governance, risk management, human resources (including culture and behaviours throughout ING) and regulatory costs.

Supervisory Board meetings

The Supervisory Board met 12 times in 2016. On average, 98 percent of the Supervisory Board members were present at the meetings. This attendance rate illustrates that the members of the Supervisory Board are engaged with ING and are able to devote sufficient time and attention to ING's affairs. The Executive Board and Management Board Banking were present during each Supervisory Board meeting. For part of the meetings only the chief executive officer was present; this was dependent on the nature of the topics addressed. Each Supervisory Board meeting was preceded by a session with only the Supervisory Board members present. The members of the Supervisory Board also interacted with senior management outside the regular Supervisory Board meetings for discussion and information sharing purposes. This includes speed-meet sessions which contribute to better mutual understanding and alignment on what matters most to ING and the Supervisory Board. The Supervisory Board finds it important to strike a balance between the interests of all the stakeholders and to maintain an open dialogue. ING seeks to take the interests of all stakeholders into account to ensure ING's shareholders benefit, with the interest of the client remaining key.

The Executive Board has prepared the annual accounts and discussed these with the Supervisory Board. The annual accounts will be submitted for adoption at the 2017 Annual General Meeting as part of the Annual Report.

Apart from closely monitoring the financial results in 2016, the Supervisory Board's main focus points during 2016 were the acceleration of the bank's Think Forward strategy, technological developments in banking and the growing impact of fintechs on the industry, capital requirements, the accounting for the NN anchor investments, completion of the divestment

of NN Group, sustainability, the enhancement of ING's internal controls and associated risk mitigation, and developments in the regulatory costs and external supervision landscape (including bank capitalisation). Also the results of the continuous dialogue between ING and the external supervisors were standard agenda items throughout the year.

Permanent education

The key theme in 2016 of the annual Supervisory Board Knowledge Day was an in-depth update on the status of the implementation of ING's Think Forward strategy and anticipated developments. On the agenda were sessions related to accelerating the Think Forward strategy, an innovation and IT update, IT security and cybercrime, the organisational health index, and updates from the business lines and the COO domain. The Supervisory Board was also updated on ING's annual talent review achievements and developments including a trend analysis summary.

In September 2016, the Supervisory Board visited Hong Kong and Beijing for four days, allowing it to get a better understanding of the Asian business activities and how these relate and contribute to ING's strategy. Presentations included Asian economics, trends and challenges, ING's business and footprint in Asia, including ING's relationship with the Bank of Beijing, and insights into Asian financial industry fintechs and disruptors such as Alibaba, WeChat and WeLab. The Supervisory Board members also met with various clients and government officials. A number of other educational sessions on specific topics were organised for the Supervisory Board throughout the year, including ones addressing various developments in the regulatory and external supervision landscape, financial reporting including IFRS 9, compliance, sustainability and risk and capital management.

Corporate strategy

In January 2016, the Supervisory Board held its meeting on ING's strategy as well as the Medium-Term Plan (MTP) 2016–2018. The MTP addresses the plans and the financial and non-financial targets for the Group as a whole and for the banking business specifically. The Supervisory Board considered that positive results would not take away the need to anticipate on potential challenges that include economic and regulatory uncertainty. Given the nature of challenges ahead and the level of ambition of the MTP that included significant growth projections, the Supervisory Board concurred with the proposed acceleration of the Think Forward strategy. The year 2016 therefore was a year of transition, supported by the implementation of transformation management, with the creation and execution of a transformation roadmap per country. In addition, dynamic forecasting was introduced, to allow for a regular balance sheet evaluation in terms of funding, liquidity and capital requirements.

A global transformation programme was developed to realise the acceleration of the Think Forward strategy. The basic starting point of the programme was ING's value proposition, captured in multiple work streams.

In August 2016, the Supervisory Board discussed this. This strategy includes a number of initiatives to further improve the customer experience, further grow primary customers and lending, and increase efficiency. Around the end of September 2016 further aspects of the programme were discussed and approved. Important drivers of the programme were addressed such as the future of banking, the journey of convergence, maintaining commercial momentum, how to fund and drive the transformation, as well as risk management. The importance was acknowledged of taking into account the duty of care towards the Bank's stakeholders that may be impacted by the transition. Accelerating Think Forward was announced on 3 October 2016, during the ING Investor Day.

In connection with accelerating Think Forward, the MTP 2017-2019 was discussed and approved by November 2016, an acceleration compared to previous years.

Financial and risk reporting

The fourth quarter and annual financial results for 2015 and 2016 were discussed in February 2016 and in March 2017 respectively. This included the related press release and reports from the external auditor. The Executive's Board assessment of the adequacy and effectiveness of the risk management and control systems was also discussed.

ING's Annual Report, for the second time in integrated form, was reviewed and the annual accounts and the SOX 404 Report were approved, including the proposal to pay a final 2015 dividend of EUR 0.65 per share, which was approved by the Annual General Meeting of Shareholders on 25 April 2016. The quarterly results were reviewed and discussed in May, August and November 2016 with the external auditor being able to issue an unqualified review opinion on the financial results. On 3 August 2016, ING Group declared an interim 2016 dividend of EUR 0.24 per ordinary share, which is equal to the interim dividend paid over the first half of 2015.

The draft agenda for the 2016 Annual General Meeting was discussed and approved, including the publication on the 2015 application of the Dutch Banking Code.

The Supervisory Board approved the annual review of the risk appetite framework that was updated to reflect recent regulatory changes. Throughout the year, the Supervisory Board was informed in detail on the potential risks for ING, including those relating to the Panama Papers, Brexit and the political and economic developments in various countries and regions.

In order to comply with the mandatory external auditor rotation, KPMG is ING's new external auditor as per the financial year 2016. KPMG declared independence from ING per 1 October 2015 in its role as new auditor and it was confirmed that KPMG's independence is compliant with applicable rules and regulations. As of October 2015 EY facilitated the auditor transition. As per 28 September 2016, EY was no longer required to be independent in accordance with independence regulations applicable to audit firms.

Throughout the year the Supervisory Board was updated on and discussed regulatory risk including the associated operational and anticipated financial impact. Since the start of ECB supervision the increase in regulatory reporting has been significant. Reporting timelines also shortened and requested data granularity has increased, in addition to local requirements to be met. ING aims to safeguard that all reporting processes and data quality continue to be up to standards. The aggregate impact of upcoming new regulatory reporting requirements is expected to be substantial, also as a consequence of additional capital requirements.

Internal Supervisory Board meetings

During the internal meetings of the Supervisory Board (which were joined by the CEO, except when the annual self-evaluation of the Supervisory Board or matters concerning the CEO were discussed), the Executive and Management Board Banking 2015 performance assessments were discussed and approved. Also the variable remuneration proposals for the employees in scope relating to 2015 were discussed and decided on. Furthermore the Executive and Management Board Banking 2016 targets were approved.

The future composition of the Executive Board, the Management Board Banking and the Supervisory Board, its committees and potential candidates were a recurring topic of discussion in light of various developments. In addition ING's talent and succession planning were discussed including the outcome of the Annual Talent Review. Remuneration was also a recurring agenda item. The Supervisory Board approved the update of ING's Remuneration Framework 2017.

The Supervisory Board self-assessment was also on the agenda. The action points resulting from last year's self-assessment were acted upon during the year. As was the case in the previous year, an independent external party facilitated the 2016 self-assessment process for the (members of the) Supervisory Board and its committees by drafting the questionnaires as well as the reports with the results. The questionnaires built upon the ones from the previous year were designed in such a way that a comparison between two consecutive years could be made. Similar as for 2015, input was also requested from several executives who regularly interact with the Supervisory Board and attend Supervisory Board meetings. The questionnaires were completed in December 2016, after which in the first quarter of 2017 bilateral meetings were held between the chairman of the Supervisory Board and each member (for the chairman, a bilateral meeting was held between the vice-chairman and the chairman). The respective committee results were then discussed in each committee meeting, with the overall results and conclusions being discussed in the internal Supervisory Board meeting (without the Executive and Management Board Banking members present). In general, the performance of the committees was rated highly overall and the performance of the Supervisory Board was considered to at least have been maintained and even improved in several areas since last year's review. A number of suggestions were made as priorities for

improving the performance of the Supervisory Board over the coming year, such as increasing the focus on business issues, having more in-depth discussion time, and addressing the delegation of matters to be dealt with between the Supervisory Board and its committees. Additional key priorities identified were continued close monitoring and assessment of the developments in the regulatory and external supervision landscape as well as in the areas of non-financial risk, compliance and internal control. Attention will also continue to be paid to the challenging role and countervailing power of the Supervisory Board towards the Executive and Management Board.

The Supervisory Board also met in closed sessions, with Supervisory Board members only, in advance of the regular Supervisory Board meetings. The purpose of these pre-meetings is to have a “check-in” and to provide the possibility for airing early concerns in advance of the regular meetings.

Audit Committee meetings

In 2016, the Audit Committee met six times. On average, 96 percent of the members were present at the scheduled meetings.

The Audit Committee discussed the quarterly results, the interim accounts and the annual accounts. Key audit matters, as included in the auditors' reports and management letter were also a topic of discussion. In addition to the financial results and accounts, the subjects of the Audit Committee's regular deliberations also included financial reporting, auditor's independence and fees, the overall internal control environment, the internal controls over financial reporting, the external auditor reports and management letters, and capital management related matters. The Audit Committee also reviewed the quarterly press releases related to the results, the Annual Report, the 20-F form and the SOX404 Report.

Specific attention was paid to a variety of other, related topics as well, such as the divestment of NN Group (including the accounting for the NN anchor investments), financial reporting standards (IFRS 9), the updated internal audit charter, netting of notional cash pools, deferred tax, the governance of ING's booking centres around the world, the Dutch SME interest rate derivatives case, the financial control enhancement plan, the quarterly whistleblower report, CRR remuneration disclosures and sector-wide reviews on market conduct. User Access Management (UAM) was discussed as an important element of the control framework over financial reporting. These controls were discussed extensively, and as a result requirements increased and key control testing has been improved. In 2017 efforts will be continued to further enhance ING's UAM.

All relevant items discussed by the Audit Committee were reported to the Supervisory Board with the Supervisory Board approving those items as required from a governance perspective. Directly following the Audit Committee meetings, the members of the Audit Committee met with the internal and external auditors

to seek confirmation that all relevant topics were discussed in the Audit Committee meetings.

In addition to the Audit Committee meetings, the chairman of the Audit Committee regularly held separate sessions with the independent external auditor, the head of the Corporate Audit Services department and the CFO. In addition he also met with different senior managers.

Risk Committee meetings


The Risk Committee met four times in 2016 with no absentees. As with the meetings of the other committees, all relevant items discussed by the Risk Committee were reported to the Supervisory Board with the Supervisory Board approving those items as required from a governance perspective.

In each Risk Committee meeting both the financial and non-financial risk reports were discussed in detail including the status of ING's metrics with regard to solvency, liquidity, capital, credit risk, country risk and market risk.

In addition a wide range of other topics were discussed, such as IT risk, capital requirements, Customer Due Diligence / Know Your Customer, expected loss and loss given default limits, and Brexit. Also, other future risks and various stress test scenarios were looked into, ranging from regulatory uncertainty to continued low interest rates.

Other important topics on the agenda related to risk modelling and model validation, the regulatory risk aspect, ensuring compliance with the CRD IV / CRR requirements and the results of the continuous dialogue between ING and the external supervisors related to risk management.

As a standard practice, the annual risk appetite statements, now also including one for profitability risk, were reviewed and supported.

 Read more in the “Risk and capital management” chapter and the Risk section in the Annual Accounts.

Nomination Committee meetings

The Nomination Committee met seven times in 2016 with no absentees.

In the first half of 2016 the Nomination Committee discussed the hiring of Isabel Fernandez who was appointed member of the Management Board Banking as per 1 September 2016 and Head of Wholesale Banking succeeding William Connelly as per 1 November 2016. In light of various developments In the second half of 2016, future succession scenarios in general for the Executive Board and the Management Board Banking were discussed as well as the future composition of the Supervisory Board. Various diversity related aspects were taken into account, such as the minimum and optimal size of a Supervisory Board combined with a sound and reasonable balance in representation of geographies, gender, and financial and generalist expertise. Several potential candidates were discussed for various

positions, including that of a candidate qualifying as financial expert, as defined by the SEC in its final rule implementing section 407 of the Sarbanes-Oxley Act of 2002, thereby taking into account ING's diversity policy. This resulted in short lists of potential candidates to be appointed to the Supervisory Board.

In addition, the outcomes and achievements following the Annual Talent Review were discussed. The approach for this year's process was shared with the Supervisory Board and the 2016 results were discussed in January 2017. Both the process and reporting had improved resulting in increased transparency. Improving diversity at the higher management levels, senior management succession planning and accelerating refreshment continued to be focus points. Special attention was also paid to performance management and how to enhance the process and its effectiveness by means of fostering continuous conversations between managers and employees throughout the year. Attention was also paid specifically to regrettable losses among senior managers who left ING in 2016 for various reasons.

Remuneration Committee meetings

In 2016, the Remuneration Committee met seven times with no absentees.

At the start of 2016 the Chairman of the Supervisory Board informed the Remuneration Committee of the results of the meetings he had with various Dutch politicians and labour unions to discuss remuneration of Dutch companies in general. Also the proposed amendments to the existing remuneration for the members of the management board were on the agenda as was the renewal of the Supervisory Board's remuneration policy. These were approved in the 2016 Annual General Meeting.

The Remuneration Committee reviewed the thresholds above which the pool for variable remuneration may be used for actually granting variable remuneration. It discussed the variable remuneration pool and reviewed the performance assessment for the Executive Board, Management Board Banking, as well as the variable remuneration proposals. The remuneration proposals for Identified Staff were also reviewed, including potential cases for backback of deferred compensation by way of malus.

In addition, the proposed 2016 targets for the Executive Board and the Management Board Banking members were approved.

The ING Bank remunerations framework was updated to align with the renewed EBA guidelines that took effect per 1 January 2017. Throughout the year the Remuneration Committee approved Identified Staff related remuneration matters, based on ING's accompanying governance framework. The framework itself was also reviewed with regard to the boards' approval and notification requirements.

 Read more in the "Remuneration report" chapter.

Corporate Governance Committee meetings

The Corporate Governance Committee met four times with no absentees.

In 2016 the Committee discussed the agenda for the 2016 Annual General Meeting, including the publication on the application of the Dutch Banking Code 2015.

During the first months of 2016 the Committee had extensive discussions on the future corporate governance of ING Groep N.V. in preparation for the 2016 Annual General Meeting, including the abolishment of the depositary receipt structure. External stakeholders were consulted on various aspects of the corporate governance of ING Groep N.V. The proposed amendments were discussed and approved by the 2016 Annual General Meeting.

During the year the Committee also discussed the draft proposal for the new Dutch Corporate Governance Code that was published on 11 February 2016. The final version of the revised Code was published on 8 December 2016. The new Code will take effect as per the reporting year 2017 assuming it will be embedded in Dutch law. The implications for ING are being assessed and will be embedded in ING's governance to the extent needed and applicable.

Furthermore, the Executive Board, Management Board Banking and Supervisory Board charters were updated and discussed. These will be updated again if needed to cater for the new Dutch Corporate Governance Code requirements.


The committee also discussed the results of the continuous dialogue between ING and the external supervisors related to corporate governance.

Composition of the Executive and the Management Board

At the Annual General Meeting on 25 April 2016, no changes to the Executive Board were proposed. As per 1 September 2016, as first female member of the Management Board Banking, Isabel Fernandez joined ING. She succeeded William Connelly as head of Wholesale Banking as per 1 November 2016.

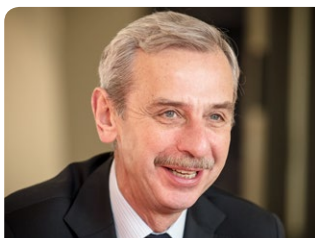
Composition of the Supervisory Board

At the Annual General Meeting on 25 April 2016, Ann Sherry was appointed a member of the Supervisory Board. Joost Kuiper stepped down due to health reasons. In May 2016, Mariana Gheorghe became a member of the Risk Committee and Robert Reibestein became a member of the Remuneration Committee.

 Read more in the "Corporate Governance" chapter on the composition of the Supervisory Board committees at year-end 2016.

The Nomination Committee and the Supervisory Board will continue to strive for an adequate and balanced composition of the Supervisory Board when selecting and nominating new members for appointment, taking into account ING's diversity policy among other factors.

Report of the Supervisory Board - continued



Eric Boyer de la Giroday



Mariana Gheorghe



Hermann-Josef Lamberti



Isabel Martín Castellá



Robert Reibestein



Jeroen van der Veer



Ann Sherry



Henk Breukink

Currently, only one Supervisory Board member, Eric Boyer de la Giroday, qualifies as “non-independent” as defined in the best practice provision III.2.2 of the currently applicable Dutch Corporate Governance Code. According to this Code, no more than one person can be non-independent. He is considered not independent because of his position as Chairman of the Board of Directors of ING Belgium S.A./N.V. and his former positions as a member of the Executive Board of ING Groep N.V. and vice-chairman of the Management Board Banking of ING Bank N.V.

Appreciation for the Executive Board and ING employees

The Supervisory Board would like to thank the members of the Executive Board and the Management Board Banking for their hard work in 2016. Important milestones were the successful completion of the NN Group divestment that led to deconsolidation of NN Group and the sale of a remaining stake of 14.1 percent in April 2016. Also, the delivery on ING’s ambitions and purpose through the Think Forward strategy is something to be proud of, as is the delivery of a programme to further accelerate this strategy to create a scalable banking platform to cater for continued commercial growth, an improved customer experience and a quicker delivery of products. The Supervisory Board would like to thank all ING employees for their contribution in realising this and for continuing to serve the interests of customers, shareholders and other stakeholders of ING.

Additional information

“Corporate governance” chapter, pages 77 to 89 and the “Remuneration report” chapter, pages 97 to 106 for more information, which are deemed to be incorporated by reference here.

Amsterdam, 13 March 2017

The Supervisory Board