

# Capital Requirements Regulation (CRR)

2019  
Remuneration  
Disclosure ING  
Bank N.V.

## Introduction

This 2019 remuneration disclosure provides detailed information on ING's remuneration principles and practices for Identified Staff, including the Executive Board and Management Board Banking. In addition, it confirms ING's compliance with the applicable regulations on remuneration in the financial services sector.

The data presented is based on policies and processes applicable in 2019 and relates to performance year 2019. Where reporting is done for CRR disclosure, this includes the Pillar III disclosure.

This report should be read in conjunction with our Remuneration Report on pages 133-160 of ING's Annual Report 2019.

### Identified Staff selection

ING's selection of Identified Staff is based on the Regulatory Technical Standards (RTS) developed by the European Banking Authority in 2014 for this purpose.

The RTS comprises (i) qualitative and (ii) quantitative selection criteria. ING has carefully considered how to apply these criteria and, based on this, has identified positions and individuals that qualify as Identified Staff.

The selection and deselection of Identified Staff is an ongoing process due to changes in staffing and organisation. Next to this, periodic checks are performed to ensure an accurate Identified Staff administration of all applicable data.

ING reviews its application of Identified Staff selection criteria annually and, if necessary, amends this process to ensure compliance with applicable regulations and alignment with the ING organisation.

The number of Identified Staff at ING decreased in 2019 (673), compared to 2018 (777). There are two reasons for this. An adjustment was made to the qualitative selection criteria updating the applicable Risk mandates for individuals. This was due to a re-assessment performed by ING's Group Risk which resulted in a decision that a specific risk mandate is no longer a selection criteria for Identified Staff. As a result of the removal of this specific criteria, the amount of Identified Staff decreased. Secondly, due to significantly lower variable remuneration payments over the last performance year, a large population no longer qualifies as Identified Staff based on the quantitative selection criteria. The total remuneration for this population did not exceed the applicable threshold.

### Performance management

Performance management is a core people management process at ING. It aligns individual performance objectives with ING's strategy and priorities in order to build a sustainable and successful business for all its stakeholders. Performance management is linked to remuneration and aims to avoid rewarding for failure via the risk appetite framework.

Performance management supports ING's long-term interests. Assessing the performance of Identified Staff and subsequently awarding variable remuneration to those who qualify, is carried

out as a part of a multiple-year framework. This longer-term performance management horizon ensures that variable remuneration continues to be ‘at risk’ throughout the deferral period by means of holdback or clawback and to the fact that the part that has been granted in the form of equity is subject to share price fluctuations. Variable remuneration is linked to non-financial and financial performance. At least 50% of the actual variable remuneration award must be based on non-financial performance criteria. Variable remuneration takes into account company performance, business line performance and individual performance. Any undesired risks taken or compliance issues that were not apparent when the variable remuneration was awarded, are taken into account at every deferred vesting of variable remuneration.

## Remuneration principles and governance

### Remuneration principles

The primary objective of ING’s remuneration principles is to enable ING to attract, motivate and retain qualified and expert leaders as well as senior staff (including Executive Board members) and other highly qualified employees.

The principles are an integral part of ING’s corporate strategy and risk profile. It maintains a sustainable balance between short and long-term value creation and builds on ING’s long-term responsibility towards clients, society and other stakeholders.

ING’s remuneration principles apply to all staff and are embedded in ING’s Remuneration Regulations Framework (IRRF). The IRRF complies with relevant international and local legislation and regulations. It sets specific requirements for Identified Staff, Control Functions, the Executive Board and Management Board Banking. All countries where ING is located and all majority owned entities must adhere to this framework and are obliged to sign a certificate stating that their remuneration principles comply with the IRRF. The only applicable deviations are those based on mandatory local legislation or in a limited transformation period (e.g. negotiations with employee representative bodies).

## Remuneration requirements for Identified Staff

### Fixed remuneration

The fixed remuneration for Identified Staff is sufficiently high to reward for the respective level of expertise, skills and range of responsibilities required for fulfilling a specific job in a business unit and region. Furthermore the level of fixed remuneration allows fully flexible variable remuneration. In case no variable remuneration is awarded, the compensation level is still sufficient for a decent standard of living.

### Benefits

Identified Staff, like other staff, are, under predetermined conditions, eligible to receive various employee benefits such as pension, medical or accident insurance. Benefits are locally regulated and follow local market practice and therefore differ on a country-by-country basis. ING does not award discretionary pension benefits.

### Variable remuneration

Variable remuneration, where applicable, is primarily focused on creating long-term value and is based on individual, business line and bank-wide performance criteria. Where Identified Staff qualify for variable remuneration it is subject to specific and/or regulatory conditions. These conditions aim, in part, to ensure the variable remuneration is aligned with ING’s ongoing risk profile over a longer period.

With respect to variable remuneration for Identified Staff the following applies:

- Variable remuneration is split into two parts:
  1. An upfront award, which is delivered for a maximum of 50% in cash and a minimum of 50% in shares or other equity-linked instruments;

2. A deferred award, which is delivered for a maximum of 50% in cash and a minimum of 50% in shares or (in a few countries) other equity-linked instruments<sup>1</sup>;
- A minimum of 40% of variable remuneration is deferred over a period of three to five years (depending on job position) with a tiered vesting schedule;
  - A retention period of at least one year is applied to all non-cash elements post vesting; and
  - Vesting is conditional on continued employment, provided limited exceptions.

ING applies different percentages to the upfront and deferred portions of variable remuneration, varying from 40% to 60% upfront, depending on job position.

### Sign-on/buy-out arrangement

Buy-out arrangements and sign-on arrangements are types of variable remuneration that are only awarded in exceptional cases and relate to the commencement of employment. The buy-out arrangement or sign-on arrangement is solely awarded:

- I. to a new staff member in view of their employment at ING;
- II. during the first year of service of a new staff member;
- III. if the staff member did not work at ING in the year prior to being hired; and
- IV. if ING has a sound and strong capital base.

### Sign-on arrangement

In the event of a sign-on arrangement, remuneration is paid to a new staff member during their first year of service in view of their employment with ING, to compensate for a loss of variable remuneration at their previous employer. Sign-on arrangements are excluded from the VR-ratio for the first performance period, where the sign-on arrangement is awarded to a new staff member hired before the first performance period starts.

<sup>1</sup> For the Executive Board the full total variable remuneration is paid out in shares.

### Buy-out arrangement

In the event of a buy-out arrangement, ING offers compensation for deferred variable remuneration awarded by a prior employer that is forfeited as a direct result of leaving that employer and joining ING. The buy-out arrangement should not compensate the new staff member for a loss of variable remuneration or for variable remuneration that has already been compensated. Written evidence needs to be provided to ING. The value of the forfeited deferred shares or other instruments is determined based on the fair market value at the commencement date.

For buy-out arrangements, all requirements for variable remuneration apply, including deferral, retention periods, pay out in instruments, holdback and clawback. Buy-out arrangements are subject to the vesting schedule of the previous employer (adjusted to ING vesting dates) and are awarded at least 50% in equity if the recipient qualifies as Identified Staff.

### Severance

Severance payments are compliant with the remuneration regulations, including locally applicable employment law. ING applies the principle of 'no reward for failure'.

ING will not pay out any form of severance payment to a staff member in the event of:

- early termination of the employment relationship at the initiative of a staff member, unless this results from seriously imputable acts or failures on the part of ING;
- seriously imputable acts or failures by the staff member in the performance of their position; or
- in the event that the staff member continues to work for ING.

The maximum severance payment that can be paid out to daily policymakers will amount to 100% of their annual fixed remuneration.

The amount of the severance payment is determined according to a predefined, generic calculation method and criteria as set out in the applicable local severance policy. Severance proposals for the Executive Board and Management Board are decided on by the Supervisory Board but are contractually limited to 100% of their annual fixed remuneration.

## Variable remuneration cap

Based on applicable laws and regulations, ING applies maximum percentages of variable remuneration compared to fixed remuneration for different categories of staff.

Geographic scope	Staff categories	Percentage
NL	Staff working mainly in NL and solely remunerated on the basis of the collective labour agreement (CLA)	20%
NL	Staff working mainly in NL who are not (solely) remunerated on the basis of the CLA	20% average 100% individual <sup>2</sup>
EEA	Staff working mainly in the European Economic Area (EEA) and outside NL	100%
Non-EEA	Staff working mainly outside the EEA	100%, which may be increased to 200% subject to shareholder approval <sup>3</sup>

## Pre-award and post-award assessment process; adjustment, holdback and clawback

Based on the remuneration regulations, specific risk adjustment mechanisms must be applied to the pay-out process of variable remuneration for Identified Staff. To this end, ING operates a so-called pre-award and post-award assessment process when determining any variable

<sup>2</sup> Within ING this exemption is only used for a limited group of employees (i.e. employees meeting one or more of the three criteria: (i) very specific and unusual circumstances (ii) exceptional talent or (iii) a unique job function.

remuneration. By all means awards are subject to regulatory maximum variable remuneration percentages.

The pre-award assessment process aims to consider the full range of any current and potential future risks. As part of this process, ING takes into account the company performance at bank, business line and individual levels, as well as a solvency test. In addition, risk requirements apply to all Identified staff in so-called risk-taker roles. These risk requirements set the minimum standards to be met during the performance year. Deviation from these standards may lead to a downward adjustment of variable remuneration (risk modifier).

The post-award risk assessment process analyses whether the outcomes of the initial pre-award risk assessment process were correct. This can, and in certain situations should, result in a downward adjustment of variable remuneration by applying a holdback (i.e. forfeiture of up to 100% of the awarded and unvested variable remuneration) and/or clawback (surrender of up to 100% of the paid or vested variable remuneration). Any decision to apply holdback or clawback is at the discretion of the Supervisory Board.

ING sets specific criteria for the application of holdback or clawback.

Holdback or clawback <u>can</u> be applied in the following circumstances	Holdback	Clawback
In the event of engaging in conduct or acts considered malfeasance or fraud	✓	✓
In the event of specific conduct that leads to the material re-statement of ING annual accounts and/or significant (reputational) harm to ING or any of its subsidiaries or affiliates	✓	✓
In the event that variable remuneration is awarded on the basis of inaccurate information – whether or not financial in nature – regarding: (i) the achievement of the performance targets (including KPIs) that determine the variable remuneration; or (ii) the circumstances under which the variable remuneration was awarded	✓	✓

<sup>3</sup> In 2017, the Annual General Meeting approved continuing to increase the variable remuneration percentage to 200% for performance years 2017 to 2021 for no more than 1% of ING's staff globally. In 2019, no employees worldwide received variable remuneration exceeding 100%.

> Capital Requirements Regulation (CRR) – continued

In the event that the award of variable remuneration is contrary to the principles of reasonableness and fairness	✓	
In the event of evidence of misbehaviour or serious error by the relevant staff member, including a breach of a code of conduct or other internal rules, especially those concerning risk	✓	
In the event ING or the business line where the relevant staff member works suffers a significant failure of risk management	✓	
In the event of significant adverse changes in the institution's capital, other than as a result of changing environment or usual business cycle changes	✓	
If any other new material information arises that would have changed the original determination of the award of variable remuneration to an individual if it were known at the time of the award; such reassessment is also based on the criteria for the original award	✓	
<b>Holdback or clawback <u>must</u> be applied in the following circumstances:</b>		
If a staff member participated in or was responsible for conduct that resulted in significant losses to the institution	✓	✓
If a staff member failed to meet appropriate standards of fitness and propriety	✓	✓

## Remuneration governance

The Remuneration Committee advises the Supervisory Board on remuneration decisions, with the support of ING's functions (e.g. Finance, Risk, Audit (CAS), Compliance, Legal and HR). To ensure the Remuneration Committee receives adequate and accurate information, there are compensation committees in place in the business lines. In addition, remuneration is a key topic of review of CAS.

On 31 December 2019, the members of the Remuneration Committee were Herna Verhagen (chairman), Robert Reibestein, Hans Wijers and Mariana Gheorghe.

The Remuneration Committee met 10 times in 2019. More meetings were deemed appropriate due to the design of a new Executive Board and Supervisory Board remuneration policy as a result of the new Shareholder Rights Directive II as well as the Supervisory Board commitment to obtain input from our stakeholders (including shareholders) on the process of drafting the new remuneration policies.

Topics discussed at these meetings relating to Identified Staff included:

- the annual review of the ING Remuneration Regulations Framework;
- the application of the Identified Staff selection criteria;
- quarterly reports of remuneration proposals for Identified Staff;
- individual remuneration and severance proposals for Identified Staff and high earners; and
- the annual compensation review for Identified Staff, including the application of risk modifiers, the bank capital test (i.e. the RoE and CT1 hurdles) and determination of the bonus pool.

The services of the following external consultants were used with regards to remuneration: Stibbe, WillisTowersWatson, McLagan, Korn Ferry Hay Group, Focus Orange, PwC and Deloitte. These are independent consultants who, at the request of ING, provide advice in the area of remuneration and related laws and regulations.

The roles and responsibilities of the Remuneration Committee of ING Bank N.V. are outlined in the Charter of the Remuneration Committee. These are similar to the roles and responsibilities of the Remuneration Committee of ING Groep N.V., as outlined in the charter of that committee, which is available on the ING website ([www.ing.com](http://www.ing.com)).

## Quantitative information

The following tables show the remuneration awards made by ING to Identified Staff for the performance year 2019.

### Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2019, split by instrument

	Supervisory Board	Executive Board	Management Board	Other Identified Staff	Other IDS – Control Functions
Amounts in thousands of euros	ING Group	ING Group	ING Bank	ING Bank	ING Bank
Number of employees	10	4	4	459	196
<b>Fixed remuneration<sup>1,2</sup></b>	1,045 <sup>3</sup>	4,825	4,067 <sup>4</sup>	134,323	42,156
<b>Variable remuneration<sup>1</sup></b>	-	618	1,847 <sup>5</sup>	52,336	10,067
Of which upfront cash	-	-	361	14,856	2,935
Of which upfront shares	-	247	378	14,758	2,959
Of which deferred cash	-	-	541	11,314	2,063
Of which deferred shares	-	371	566	9,458	1,848
Of which equity-linked instruments	-	-	-	1,598	215
Of which other instruments <sup>6</sup>	-	-	-	350	44
<b>Sign-on, buy out and retention awards in 2019</b>					
- Number of beneficiaries	-	-	-	6	4
- Sign-on, buy-out, retention awards	-	-	-	1,104	110
<b>Severance payments awarded in 2019<sup>7</sup></b>					
- Number of beneficiaries	-	-	-	21 <sup>8</sup>	4
- Severance awards	-	-	-	8,326	1,421

### Table 2 - Number of Identified Staff with total remuneration above € 1,000,000 per bracket

There is a small increase in the number of Identified Staff with total remuneration above €1,000,000 (high earners). This change is due to the fact that variable remuneration compared to 2018, increased on average. The vast majority of these employees (excluding Executive Board and Management Board members) work outside the Netherlands.

### Total remuneration<sup>1</sup>

	Executive Board ING Group	Management Board ING Bank	Other Identified Staff ING Bank	Other IDS Control Functions
€ 1,000,000 - € 1,500,000	2	-	5	-
€ 1,500,000 - € 2,000,000	-	3	1	-
€ 2,000,000 - € 2,500,000	1	-	-	-
€ 2,500,000 - € 3,000,000	-	-	1	-

1 This amount is excluding sign-on, buy-out and severance awards. In addition the individual saving allowance is excluded.

1 Fixed remuneration consists of base salary, the contribution individual savings and the employer pension contribution minus the employees' pension contribution. This amount is excluding sign-on, buy-out, retention and severance awards.

2 Contrary to last year, the amount for the Executive Board and Management Board is excluding the individual saving allowance (an allowance to compensate for loss of pension benefits with respect to remuneration in excess of € 107,593) to make a better comparison with the Identified Staff since those numbers are also excluding individual saving allowance as this is only relevant for the Netherlands.

3 Fixed remuneration of Supervisory Board members includes the standard fees per role and committee (VAT included).

4 The termination date of Roland Boekhout was 31 October 2019. Thus the fixed remuneration reflects the payments from 1 January 2019 – 31 October 2019.

5 This amount includes the variable remuneration awarded to Tanate Phutrakul for the period from 7 February 2019 – 23 April 2019 during his capacity as a Management Board member. The pay out scheme for this part of his variable remuneration is similar to the pay out scheme of an Executive Board member. Thus, fully paid out in shares, 40% upfront and 60% deferred.

6 Paid in relation to 2019, including profit sharing and CLA-based variable remuneration.

7 This includes the severance payments awarded to all Identified Staff during 2019.

8 The highest severance award to an employee is EUR 1,846,101.

**Table 3 – Details of remuneration Identified Staff ING Bank in relation to performance year 2019**

**Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2019, split by instrument**

Amounts in thousands of euros	Wholesale Banking	Retail Banking Market Leaders	Retail Banking Challenger & Growth	Treasury	Corporate Staff and Other	Other IDS – Control Functions
Number of employees	250	74	94	12	29	196
<b>Fixed remuneration<sup>1</sup></b>	76,588	17,392	25,272	4,513	10,556	42,156
<b>Variable remuneration<sup>1</sup></b>	33,125	3,514	11,034	1,494	3,168	10,067
Of which upfront cash	9,790	825	2,953	415	871	2,935
Of which upfront shares	9,509	1,002	2,953	421	871	2,959
Of which deferred cash	6,972	742	2,563	324	712	2,063
Of which deferred shares	6,345	112	2,045	273	682	1,848
Of which share-based instruments	368	630	518	51	30	215
Of which other variable remuneration <sup>2</sup>	140	200	-	8	1	44

1 Excluding sign-on, buy-out, retention and severance awards.

2 Paid in relation to 2019, including profit sharing and CLA-based variable remuneration.

**Table 4 – Analysis of deferred remuneration**

This table includes deferred remuneration awarded or paid in 2019 to current and former members of the Executive Board of ING Group and the Management Board Banking and other Identified Staff of ING Bank. This table does not include deferred remuneration granted to staff prior to their nomination as Identified Staff.

**Analysis of deferred remuneration Identified Staff awarded or paid in 2019<sup>1</sup>**

Amounts in thousands of euros	(Former) Executive Board ING Group & Management Board ING Bank	Other Identified Staff ING Bank (non-control functions)	Other Identified Staff ING Bank (control functions)
Outstanding, vested <sup>2</sup>	1,036	8,109	755
Outstanding, unvested <sup>3</sup>	12	7,850	878
Awarded during financial year <sup>4</sup>	25	13,561	1,564
Paid out <sup>5</sup>	1,806	26,342	2,281
Reduced amount through performance adjustment (holdback and clawback) <sup>6</sup>	156	451	105

1 Equity is valued at the opening stock price on 31 December 2019, being €10.68.

2 The amounts of outstanding deferred equity of awards to (previous) IDS that vested in 2019.

3 The amounts of unvested deferred equity awarded in financial year 2019.

4 The amounts of deferred remuneration (cash and equity) awarded during the financial year 2019.

5 Payments in 2019 of deferred cash and equity of awards to (previous) IDS.

6 In 2019, holdback and/or clawback has been applied to nine Identified Staff members.