



## Capital Requirements Regulation (CRR) Remuneration disclosure 2014 ING Bank N.V.

### 1. Introduction

ING's purpose is: "empowering people to stay a step ahead in life and in business." We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base. The strength of the company is, among other things, based on its relatively high customer satisfaction levels, solid financial position, multi-channel distribution strategy and international network. Moreover, ING is a sustainability leader in its sector. The strength of a company is also determined by the quality of its workforce. ING is a great place to work, as surveys have shown. Among other factors, remuneration needs to be well-balanced to retain and recruit highly qualified staff. Therefore, ING ensures that its remuneration policy for senior management and the board, maintains a balance between short-term and long-term value creation. ING also makes sure that the remuneration policy is properly correlated with our risk profile and the interests of all stakeholders.

### 2. Scope

The remuneration disclosure 2014 provides detailed information on our remuneration practice, to explain how our performance management is linked to the remuneration we offer. In addition, it confirms our compliance with the applicable regulations on remuneration in the financial services sector.

The information in the disclosure pertains to our Identified Staff, including our Executive Board and Management Board Banking, staff holding independent control functions, as well as other risk takers. Based on the Regulatory Technical Standards published by EBA in 2014, the number of Identified Staff within ING increased significantly in 2014.

The data presented are based on policies and processes applicable throughout 2014 and relate to performance year 2014. Where reporting is done for CRR disclosure (which includes the pillar III disclosure), remuneration paid during 2014 is included. This report should be read in conjunction with our remuneration report, as laid down on pages 87-97 of the ING Group annual report 2014.

### 3. Performance Management

Performance management is a core management process at ING. It aligns individual performance objectives to the strategy of ING and its annual priorities, to build a sustainable and successful business for all our stakeholders. Performance management is linked to remuneration and focuses via the risk appetite framework on preventing remunerating for failure.

For each Identified Staff member a set of role expectations is defined, which detail **what** the individual is expected to contribute to our business success and **how** this contribution is to be achieved. The latter refers to our business principles, our leadership competencies and our values. In addition, a number of 3 to 5 individual performance targets are identified which cover the most important change priorities for that year. These are directly derived from the strategic priorities for the particular part of our business. With the input from the control functions, a set of risk requirements is agreed for all Identified Staff holding risk taking roles. Risk requirements set the minimum standard to be obtained during the performance year, deviation there from may lead to full or partial reduction of variable .

The performance assessment of Identified Staff and the consequent awarding of variable remuneration, is done as part of a multiple-year framework. With this longer-term performance management horizon we ensure that variable remuneration continues to be “at risk” throughout the entire deferral period.

Variable remuneration is linked to financial and non-financial performance and takes into account the company performance at bank level, business line performance and individual performance. Any undesired risk taking or compliance issues that were not apparent at the time the variable remuneration was awarded, will be taken into account at every (deferred) vesting of variable remuneration.

Below some examples are mentioned of our performance targets for ING Bank:

***Example performance targets ING Bank:***

	Management Board Banking	Other Identified Staff
Financial: underlying net result, C/I ratio, loan-to deposit ratio, etc.	60%	50%
Non-Financial: Customer & Society, Operations & Processes, Organization & People, Leadership Behaviours	40%	50%

## 4. Remuneration policy, framework and governance

### Remuneration policy

The remuneration policy is an integral part of ING’s corporate strategy and risk profile and maintains a sustainable balance between short-term and long-term value creation, building on our long-term responsibility towards our clients, society and all other stakeholders. The primary objective of the remuneration policy of ING is to enable the company to retain and recruit qualified and expert leaders, senior staff and other highly qualified employees in the international labour market.

### Remuneration Framework

The Bank Remuneration Framework sets standards to which ING as a whole must adhere and supports transparency in ING’s approach to remuneration and performance management. It contains policies for all staff, including Identified Staff. Remuneration consists of fixed and variable remuneration paid to ING staff.

For Identified Staff a number of ING policies are applicable. The policies cover a wide range of parameters to ensure that the ratio of fixed remuneration to variable remuneration is appropriately balanced. For Identified Staff the fixed to variable ratio does not exceed 1:1. This ratio may only be increased up to 1:2 in case of shareholder approval. For control functions the ratio of fixed to variable remuneration is weighted in favour of fixed remuneration.

Variable remuneration is performance-based and risk-adjusted and is partly paid upfront and partly deferred. Variable remuneration is subject to the assessment of undesired risk-taking, as well as non-compliant behaviour in the context of past performance. If necessary, the compensation is adjusted downward via hold back or reclaimed by means of claw back.

As much as possible for a global financial institution of its size ING aims to take account of all differences and standards applied within similar financial institutions in the various countries it operates.

### Remuneration governance

The Remuneration Committee advises the Supervisory Board on remuneration decisions within its discretionary powers. To ensure that the Remuneration Committee receives adequate and accurate information, compensation committees at lower levels are in place. These committees include the representation of the company’s control functions Finance, Risk, Compliance, HR and Legal. In addition, remuneration is a key topic of review for our internal audit services (Corporate Audit Services).

On 31 December 2014 the members of the Remuneration Committee were: Joost Kuiper (chairman), Henk Breukink and Jeroen van der Veer.

In 2014, the Remuneration Committee met 7 times. Topics related to Identified Staff discussed in 2014 included:

- regulatory developments including CRDIV and the Act on remuneration policies of financial undertakings;
- the annual review of the remuneration framework;
- the Identified Staff selection criteria and the selection of Identified Staff members;
- the annual compensation review for Identified Staff members, including the Bank and business thresholds and the potential cases for holdback and clawback of compensation; and
- the annual risk analysis for the purpose of the remuneration framework;

Regarding remuneration the services of the following external consultants have been used: Stibbe, Hay Group, Towers Watson and PricewaterhouseCoopers.

The roles and responsibilities of the Remuneration Committee are outlined in the Charter of the Remuneration Committee, which is available on ING Group's website ([www.ing.com](http://www.ing.com)).

## 5. Remuneration in detail

### Elements of Remuneration

Remuneration in form of total rewards has been structured in accordance with the applicable laws and regulations. Total rewards consists of various elements: fixed remuneration, risk adjusted variable remuneration and other benefits.

### Fixed remuneration

The fixed remuneration of Identified Staff represents a sufficiently high proportion of an individual's total reward to compensate for the respective level of expertise, skills and responsibility range required for fulfilling a specific job in a business unit and region.

### Benefits

Identified Staff, like other ING Bank employees, are eligible for receiving various employee benefits, such as employer pension contributions, employee discounts on financial services, disability insurance coverage. Benefits are locally regulated and need to follow local market practice and therefore differ on a country-by-country basis. No discretionary pension benefits were paid in 2014.

### Risk requirements

For Identified Staff in a risk taking role a multiple is applied to the Variable Remuneration award (between 0 and 1) which expresses the extent to which the individual has successfully managed the risk in the activities of his / her responsibility.

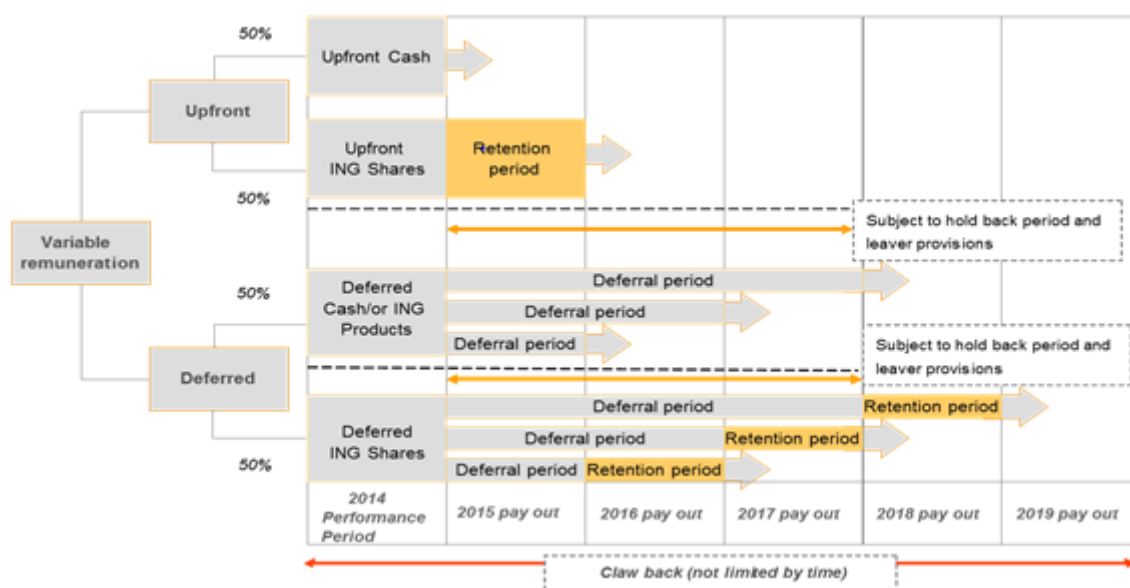
### Variable remuneration

In line with CRDIV requirements, any variable remuneration for Identified Staff is governed by the schedule below:

	ING Bank
Ability to award variable remuneration depends on:	(a) The overall bank, relevant business and individual performance and
	(b) Meeting the qualifiers: <ul style="list-style-type: none"><li>- return on equity and</li><li>- core Tier 1 ratio.</li></ul>
Fixed /variable pay ratios	Maximum ratios between fixed and variable. For Identified Staff the fixed to variable ratio does not exceed 1:1. This ratio may only be increased up to 1:2 in case of shareholder approval.

	For control functions the ratio of fixed to variable remuneration is weighted in favour of fixed remuneration.
Delivery of variable pay	<p>A minimum of 40% is deferred. Both the upfront and the deferred part are equally split in 50% cash and 50% equity.</p> <p>The minimum deferral period is three years, applying a tiered vesting schedule. Deferred variable remuneration vests annually in equal tranches. The first deferred portion of the variable remuneration vests 1 year after the date of grant. Any vested portion of deferred equity-linked instruments is subject to an additional retention period of at least one year.</p>
Ex post performance assessment	<p>The performance assessment extends beyond the date of variable remuneration award and continues as part of a multi-year framework of at least three to five years. ING has the option of applying a hold back, i.e., not to pay out, up to 100%, of variable remuneration, in the following circumstances:</p> <ul style="list-style-type: none"> <li>- In the event of evidence of misconduct or serious error by the Identified Staff member, including breach of a code of conduct or other internal rules, especially those concerning risk;</li> <li>- in the event ING or the business line in which the relevant Identified Staff member is engaged, suffers a significant failure of risk management;</li> <li>- in the event of significant adverse changes in ING's capital, other than as a result of changing environment or usual business cycle changes;</li> <li>- in the event of engagement in conduct or performance of acts which are considered malfeasance or fraud;</li> <li>- in the event of specific conduct which has led to the material re-statement of ING's annual accounts and/or significant (reputational) harm to ING or any of its subsidiaries or affiliates;</li> <li>- if any other material new information arises that would have changed the original determination of the variable remuneration award to that individual negatively had it been known at the time of the award; such reassessment is also based on the criteria for the original award;</li> <li>- if an Identified Staff member participated in or was responsible for conduct which resulted in significant losses to the institution;</li> <li>- if an Identified Staff member failed to meet appropriate standards of fitness and propriety.</li> </ul> <p>A claw back of up to 100% of paid/vested variable remuneration from any current (or former) Identified Staff can be applied in the following circumstances:</p> <ul style="list-style-type: none"> <li>- in the event of engagement in conduct or performance of acts which are considered malfeasance or fraud;</li> <li>- in the event of specific conduct which has led to the material re-statement of ING's annual accounts and/or significant (reputational) harm to ING or any of its subsidiaries or affiliates;</li> <li>- if an Identified Staff member participated in or was responsible for conduct which resulted in significant losses to the institution;</li> <li>- if an Identified Staff member failed to meet appropriate standards of fitness and propriety</li> </ul>

Figure 1: Pay-out schedule ING Bank



## 6. Quantitative information

The following tables show the remuneration awards made by ING for the performance year 2014.

Table 1 – Details of remuneration over 2014

Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2014, split by instrument			
amounts in thousands of euros	Executive Board ING Group	Management Board ING Bank	Other Identified Staff ING Bank
Number of employees	3	5	652
Fixed remuneration	2,814	3,480	147,252
Variable remuneration <sup>1</sup>	0	2,721	85,522
Of which Upfront cash	0	544	25,191
Of which Upfront shares	0	544	25,191
Of which Deferred cash	0	816	17,570
Of which Deferred shares or share-based instruments	0	816	17,570
Of which Other instruments	0	0	0
Variable compared to Fixed	-	78%	58%
Sign-on, buy out and retention awards in 2014:			
- Number of beneficiaries	0	1	4
- Sign-on, buy out, retention awards	0	250	1,150
Severance payments awarded in 2014 <sup>2</sup> :			
- Number of beneficiaries	0	1	6
- Severance awards	0	765	4,816

<sup>1</sup> Excluding sign-on, buy-out and retention awards.

<sup>2</sup> The highest severance payment awarded to one single employee is € 1,291,353

Table 2 Total remuneration per bracket for total remuneration above 1 million euro:

Total compensation			
	Executive Board ING Group	Management Board ING Bank	Other Identified staff ING Bank
€ 1,000,000 - € 1,500,000	1	4	8
€ 1,500,000 - € 2,000,000		1	
€ 2,000,000 - € 2,500,000			2
€ 2,500,000 - € 3,000,000			
€ 5,000,000 - € 6,000,000			

Table 3 – Details of remuneration of ING Bank over 2014

ING Bank	Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2014, split by instrument				
amounts in thousands of euros	Commercial Banking	Retail Banking Benelux	Retail Banking International	Treasury	Corporate Staff and Other
Number of employees	301	106	101	8	136
Fixed remuneration	74,656	20,328	20,407	3,446	28,413
Variable remuneration	55,722	7,916	11,588	2,415	7,880
Of which Upfront cash	16,537	2,331	3,297	670	2,356
Of which Upfront shares	16,537	2,331	3,297	670	2,356
Of which Deferred cash	11,324	1,627	2,497	537	1,584
Of which Deferred shares or share-based instruments	11,324	1,627	2,497	537	1,584
Of which Other instruments	0	0	0	0	0

*Table 4 - Analysis of deferred remuneration*

This table includes deferred remuneration awarded or paid in 2014 to current and former members of the Executive Board ING Group and Management Board Banking and other Identified Staff members. With respect to Identified Staff based on CRD III, this table does not include deferred remuneration granted prior to the implementation of Capital Requirements Directive III (CRD III), i.e. annual incentives granted in relation to performance years prior to 2011. With respect to Identified Staff based on Capital Requirements Directive IV (CRD IV) only, this table does not include deferred remuneration granted prior to the implementation of CRD IV, i.e. annual incentives granted in relation to performance years prior to 2014.

Analysis of deferred remuneration Identified Staff awarded or paid in 2014 <sup>1</sup>		
amounts in thousands of euros	Executive Board ING Group & Management Board ING Bank	Other Identified Staff ING Bank
Outstanding, vested <sup>2</sup>	765	8,906
Outstanding, unvested <sup>3</sup>	882	15,960
Awarded during financial year <sup>4</sup>	1,652	19,317
Paid out <sup>5</sup>	1,335	15,712
Number of holdbacks or clawbacks	0	2
Reduced amount through performance adjustment (holdback and clawback) <sup>6</sup>	0	595

<sup>1</sup> Equity is valued at the opening stock price of 31<sup>st</sup> of December 2014. For ING Group and ING Bank the ING stock price of €10.83 is used.

<sup>2</sup> Deferred equity awarded in financial year 2012 and 2013 which vested in 2014 and outstanding due to retention period.

<sup>3</sup> Deferred equity awarded in financial year 2014, which is unvested.

<sup>4</sup> Deferred cash and deferred equity awarded in financial year 2014.

<sup>5</sup> Payments on deferred cash and equity in 2014.

<sup>6</sup> In 2014 ING applied the ex-post performance assessment in respect of awards related to performance year 2011 & 2012.