
Capital Requirements Regulation (CRR) 2016 Remuneration Disclosure 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 a differentiating client experience and our global scale to meet the needs of a broad customer base. The company's strength is based, among other things, on its relatively high customer and employee satisfaction levels, solid financial position, omnichannel 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. Surveys show ING is a great place to work. Among other factors, remuneration has to be well-balanced to retain and recruit highly qualified staff. Therefore, ING ensures its remuneration policy for senior management and the board is balanced between short-term and long-term value creation. ING also makes sure the remuneration policy is properly correlated with its risk profile and the interests of all its stakeholders.

2. Scope

This 2016 remuneration disclosure provides detailed information on ING's remuneration policy and practices for "Identified Staff" (including the Executive Board and Management Board Banking). In addition, it confirms our compliance with the applicable regulations on remuneration in the financial services sector.

The number of Identified Staff at ING decreased in 2016 (657), compared to 2015 (711).

The data presented is based on policies and processes applicable in 2016 and relates to performance year 2016. Where reporting is done for CRR disclosure, this includes the Pillar III disclosure.

This report should be read in conjunction with our Remuneration chapter on pages 96 - 105 of the ING Group Annual Report 2016.

3. Identified Staff selection

The Identified Staff selection is based on the Regulatory Technical Standards (RTS) for the selection of Identified Staff developed by the European Banking Authority (EBA) in 2014.

In the RTS, the EBA lists (i) qualitative and (ii) quantitative selection criteria. ING Bank has carefully considered how to apply these criteria at ING. On the basis thereof, it has identified positions and individuals within ING Bank that qualify as Identified Staff.

The selection of Identified Staff is an ongoing process, with quarterly checks.

The application of the Identified Staff selection criteria within ING is reviewed annually and, if necessary, amended, to make sure that it continues to be aligned with the ING organisation.

4. Performance management

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

Assessing the performance of Identified Staff and subsequently awarding variable remuneration to those who qualify, is done as 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 if any so-called failure is detected. Variable remuneration is linked to financial performance and at least 50% to non-financial performance. It takes into account company performance, 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.

The targets that are individually determined should represent a balanced perspective of measures that support the organisation's long-term sustainable performance and should take full consideration of such areas as:

- Customer satisfaction, retention and growth;
- Corporate social responsibility and sustainability;
- Employee engagement, development and productivity;
- Market share, growth rates, financial return and value creation;
- Operational effectiveness and efficiency;
- Compliance with risk management policies and all other internal policies and external legislation.

For Identified Staff members there is a defined set of role expectations, 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, the Orange Code, our leadership competencies and our values. In addition, a small number of individual performance targets are identified that cover the most important change priorities for that year. These are directly derived from the strategic priorities for that particular part of the business. The process consists of three phases: (i) target setting at the start of the year, (ii) a mid-year coaching session and (iii) a year-end evaluation, with calibration in management team sessions.

For Identified Staff in positions within two levels of the Management Board ING Bank (MBB-1 and MBB-2 levels) new performance standards apply. In future, these will apply to all Identified Staff. The following elements are part of this approach:

- Stretch ambitions: personal "stretch" targets focused on priorities that make the biggest difference, that all employees will define, in line with job expectations and Orange Code behaviours;
- Validation sessions: sessions where objectives and outcomes of target setting, mid-year review and year-end evaluations are validated vertically in management team discussions and horizontally against peers to ensure relevance and consistency;
- Continuous conversations: informal conversations focused on providing immediate, meaningful feedback that enhance performance on-the-spot;
- Recognition management: approach where the managers are empowered and responsible for deciding, on a continuous basis through the year, the right mix of reward and recognition, both financial and non-financial, within broad guidelines.

5. Remuneration policy, framework and governance

Remuneration policy

ING's remuneration policy forms an integral part of our strategy, performance culture and risk management framework. Its objective is to enable ING to retain and recruit expert leaders, senior staff and other highly qualified employees in the international labour market, to ensure we meet our responsibilities towards stakeholders, now and in the future.

ING remuneration framework

The ING remuneration framework sets regulatory standards that all businesses of ING must adhere to and supports transparency in ING's approach to remuneration and performance management. It contains policies for all staff and Identified Staff.

Remuneration requirements for Identified Staff

Fixed remuneration

The fixed remuneration of Identified Staff is sufficiently high to compensate for the respective level of expertise, skills and range of responsibilities required for fulfilling a specific job in a business unit and region.

Benefits

Identified Staff, like other ING Bank employees, are eligible to receive various employee benefits, such as employee discounts on financial services and disability insurance coverage. Benefits are locally regulated and must follow local market practice and therefore differ on a country-by-country basis. ING does not award discretionary pension benefits.

Variable remuneration

Insofar Identified Staff qualify for variable remuneration, specific conditions apply that aim to ensure that a significant portion of their variable remuneration is aligned with the ongoing risk profile of ING Bank over a longer period.

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

- All variable remuneration is considered as one award;
- 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 other equity-linked instruments;
- A minimum of 40% of variable remuneration is deferred over a period of three years 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 60% to 40% upfront, depending on job positioning.

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
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 ¹

¹ In 2015, the Annual General Meeting approved an increase of the variable remuneration percentage up to 200% for performance years 2014 to 2016 for no more than 1% of ING's staff globally.

For control functions, the variable remuneration must be less than 100% of fixed remuneration.

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

Based on the remuneration regulations, specific risk adjustment mechanisms must be applied in the pay-out process of variable remuneration of Identified Staff. To this end, ING operates a so-called pre-award and post-award assessment process when determining any variable remuneration, subject to the 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 both company, business line and individual performance. In addition, it applies a solvency test and return on equity test. Risk requirements are set for all Identified Staff holding risk-taker roles, setting the minimum standard to be reached during the performance year. Deviation from this may lead to full or partial reduction of variable remuneration via a so-called risk modifier.

The post-award assessment process includes analysing whether the outcomes of the initial pre-award risk assessment process were correct. This is a measure for ING to adjust any variable remuneration downwards. ING can apply a holdback of up to 100% of the awarded and unvested deferred variable remuneration, or clawback up to 100% of the paid and/or vested variable remuneration from any current or former staff member. Any decision to apply holdback or clawback is at the discretion of the ING Supervisory Board.

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

Holdback or clawback can be applied in the following circumstances:	Holdback	Clawback
in the event of engagement in conduct or performance of acts which are considered malfeasance or fraud	✓	✓
in the event of specific conduct which has led 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 has been 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	✓	✓
in the event that the award of Variable Remuneration is contrary to the principles of reasonableness and fairness	✓	
in the event of evidence of misbehavior 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 in which 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 material new information arises that would have changed the original determination of the award of Variable Remuneration to that individual if it were known at the time of the award; such reassessment is also based on the criteria for the original award	✓	
Holdback or clawback must be applied in the following circumstances:	Holdback	Clawback
if a staff member participated in or was responsible for conduct which 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 control functions (e.g. Finance, Risk, 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 the Corporate Audit Services department.

On 31 December 2016 the members of the Remuneration Committee were: Henk Breukink (chairman), Robert Reibestein and Jeroen van der Veer.

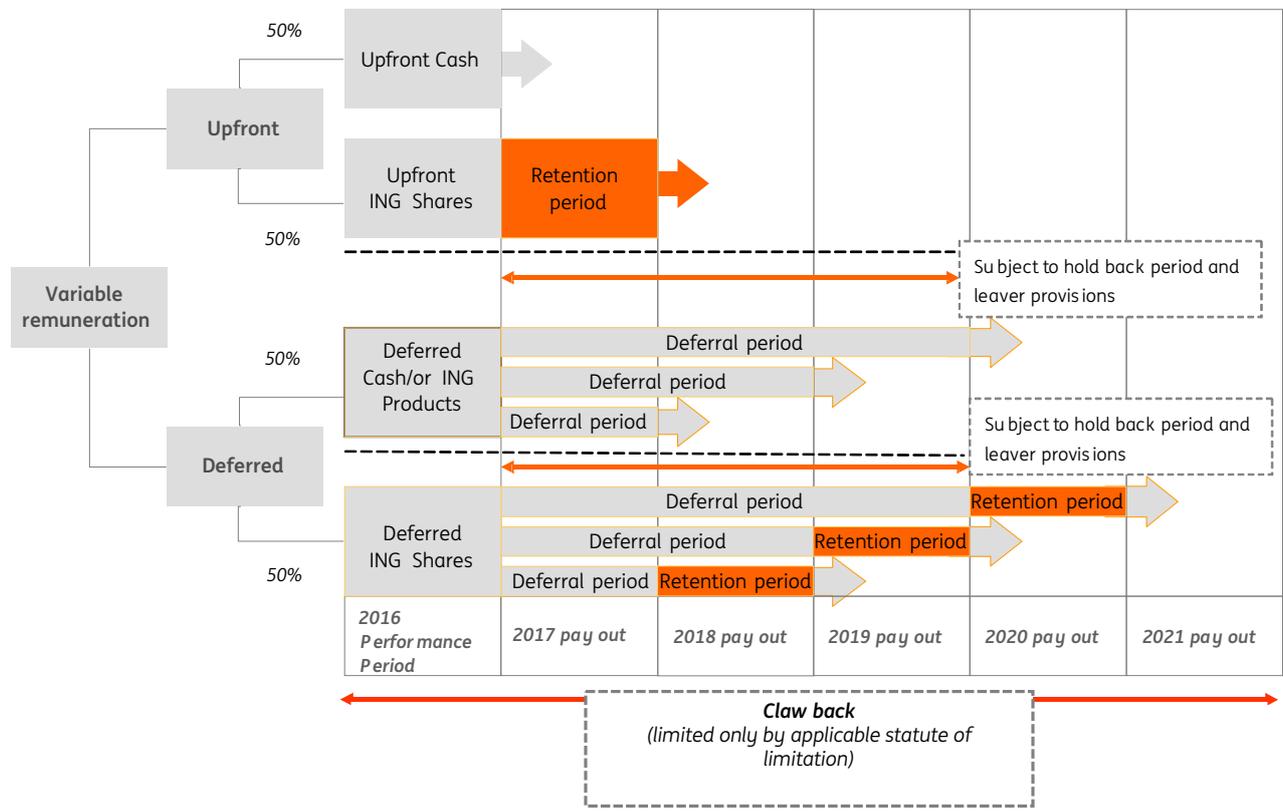
In 2016, the Remuneration Committee met seven times. Topics relating to Identified Staff that were discussed in 2016 included:

- regulatory developments including EBA guidelines on sound remuneration policies;
- the annual review of the ING remuneration framework;
- the application of the Identified Staff selection criteria;
- quarterly reports of Identified Staff remuneration proposals;
- individual remuneration and severance proposals for high earners;
- the annual compensation review for Identified Staff members, including the solvency and RoE test and determination of the bonus pool; and
- proposals for holdback or clawback of compensation.

Regarding remuneration, the services of the following external consultants were used: Stibbe, WillisTowersWatson, McLagan and PwC. These are independent consultants who, when requested by ING, provide advice in the area of remuneration and related laws and regulations.

The roles and responsibilities of the Remuneration Committee 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).

Figure 1 - Pay-out schedule ING for performance year 2016



6. Quantitative information

The following tables show the remuneration awards made by ING to Identified Staff for the performance year 2016.

Table 1 – Details of remuneration of Identified Staff in relation to performance year 2016

Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2016, 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	649
Fixed remuneration ¹	5,315	5,386	187,409
Variable remuneration ²	749	2,641	80,810
Of which upfront cash	-	485	23,371
Of which upfront shares	300	572	23,371
Of which deferred cash	-	727	16,641
Of which deferred shares or equity-linked instruments	449	857	16,941
Of which other instruments ³	-	-	486
Sign-on, buy-out and retention awards in 2016:			
- Number of beneficiaries	-	1	7
- Sign-on, buy-out, retention awards	-	1,184	430
Severance payments awarded in 2016 ⁴:			
- Number of beneficiaries	-	1	9
- Severance awards	-	918	5,709

1 Including employer pension contribution and collective fixed allowances (which for Dutch employees consist of two savings allowances applicable to all employees in the Netherlands; a savings allowance of 3.5% and a savings allowance to compensate for loss of pension benefits with respect to remuneration in excess of € 101,519). Excluding severance awards.

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

3 Paid in 2016, including profit sharing and CLA-based variable remuneration.

4 The highest severance award to an employee is € 1,600,000.

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

The decreased number of Identified Staff with total remuneration above € 1,000,000 (high earners) and the shifts between the brackets are the result of multiple factors, among which performance and exchange rate fluctuations. The vast majority of these employees (excluding the Executive Board) work outside the Netherlands.

Total remuneration ¹	Executive Board ING Group	Management Board ING Bank ²	Other Identified staff ING Bank
€ 1,000,000 - € 1,500,000			7
€ 1,500,000 - € 2,000,000	2	3	1
€ 2,000,000 - € 2,500,000	1	1	2
€ 2,500,000 - € 3,000,000			

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

Table 3 – Details of remuneration Other Identified Staff ING Bank in relation to performance year 2016

ING Bank					
Fixed and variable remuneration awarded to Other Identified Staff ING Bank in relation to performance year 2016, split by instrument					
Amounts in thousands of euros	Wholesale Banking	Retail Banking Market Leaders	Retail Banking Challenger & Growth	Treasury	Corporate Staff and Other
Number of employees	308	113	109	8	111
Fixed remuneration ¹	98,411	27,258	24,737	3,636	33,367
Variable remuneration ²	53,901	6,835	12,071	2,074	5,929
Of which upfront cash	16,001	1,932	3,200	602	1,636
Of which upfront shares	16,001	1,932	3,200	602	1,636
Of which deferred cash	10,907	1,321	2,815	431	1,167
Of which deferred shares or share-based instruments	10,907	1,321	2,815	431	1,467
Of which other instruments ³	85	329	41	8	23

1 Excluding severance awards.

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

3 Paid in 2016, including profit sharing and CLA-based variable remuneration.

Table 4 - Analysis of deferred remuneration

This table includes deferred remuneration awarded or paid in 2016 to current and former members of the Executive Board ING Group and Management Board Banking and other Identified Staff of ING. 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 2016 ¹		
Amounts in thousands of euros	(Former) Executive Board ING Group & Management Board ING Bank	Other Identified Staff ING Bank
Outstanding, vested ²	1,193	14,643
Outstanding, unvested ³	1,851	26,365
Awarded during financial year ⁴	2,436	38,050
Paid out ⁵	2,200	29,972
Reduced amount through performance adjustment (holdback and clawback) ⁶	0	79

1 Equity is valued at the opening stock price on 30 December 2016, being € 13.28.

2 The amounts of outstanding deferred equity that vested in 2016.

3 The amounts of unvested deferred equity awarded in financial year 2016.

4 The amounts of deferred remuneration (cash and equity) awarded during the financial year 2016.

5 Payments in 2016 of deferred cash and equity.

6 In 2016, holdback was applied to five Identified Staff members. Clawback was not applied to any Identified Staff member.