



Capital Requirements Regulation (CRR) 2015 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 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 and employee 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 its risk profile and the interests of all stakeholders.

2. Scope

This 2015 remuneration disclosure provides detailed information on our remuneration policy and practices for Identified Staff (including our 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 within ING remained fairly stable in 2015 (711), after having increased significantly in 2014 (660).

The data presented is based on policies and processes applicable in 2015 and relates to performance year 2015. Where reporting is done for CRR disclosure, this includes the pillar III disclosure.

This report should be read in conjunction with our remuneration chapter, as laid down on pages 91-101 of the ING Group Annual Report 2015.

3. Identified Staff selection

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

In the RTS, the EBA has listed (i) qualitative and (ii) quantitative selection criteria. On the basis of these criteria, ING Bank has carefully identified positions and individuals within ING Bank that qualify as Identified Staff.

Each year, the Identified Staff selection is carefully reviewed and assessed by ING.

4. Performance Management

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

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, the Orange Code, our leadership competencies and our values. In addition, a small number of 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.

The performance assessment of Identified Staff and the subsequent awarding of variable remuneration to those who qualify, 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 by means of holdback or claw back if any so called failure is detected. Variable remuneration is linked to financial and at least 50% non-financial performance targets 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.

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

- Customer satisfaction, retention and growth
- Corporate social responsibility and sustainability
- Employee engagement, development and productivity
- Market growth rates and share
- Operational effectiveness and efficiency
- Compliance with risk management policies
- Compliance with internal and external rules
- Financial return and value creation

5. 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 regulatory 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 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 responsibility range 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 need to follow local market practice and therefore differ on a country-by-country basis. No discretionary pension benefits were paid in 2015.

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 (i.e., there is no longer a distinction between short-term incentives and long-term incentives).
- Variable remuneration is split into two parts:
 1. An upfront award, which is delivered as 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 as a maximum of 50% in cash and a minimum of 50% in shares or other equity linked instruments.
- A retention period of at least one year is applied to all non-cash elements post vesting.
- There will be a minimum deferral of 40% of variable remuneration.
- Deferral will be over a period of three years with a tiered vesting schedule.

ING applies different ratios between the upfront and deferred portions of variable remuneration, depending on job positioning.

Variable Remuneration cap

Based on the Wbfo, CRD IV and the Rbb 2014, ING applies maximum ratios of variable remuneration in relation to fixed remuneration for different categories of Identified Staff (individually referred to as the "**Ratio**"):

| Geographic Scope | Staff Categories | WBFO Cap |
|------------------|--|--------------------------------|
| NL | Staff (mainly) working in NL and solely remunerated on the basis of the Collective Labor Agreement (CLA) | 20% |
| NL | Staff (mainly) working in NL who are not (solely) remunerated on the basis of the CLA | 20% average 100% individual |
| EEA | Staff (mainly) working inside the EEA and outside | 100% |

| | | |
|----------------|--|---|
| | NL | |
| Non-EEA | Staff (mainly) working outside the EEA | 100%, which may be increased to 200%, subject to shareholder approval |

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

Ex ante and ex post 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 ex ante and ex post assessment process when determining any variable remuneration, subject to the maximum Ratios.

The **ex ante assessment** process aims to check, verify and consider the full range of any current and potential future risks. As part of this process, ING uses a solvency test. With the input from the control functions, a set of risk requirements is agreed for all Identified Staff holding risk taker 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 remuneration via a so called risk modifier.

The **ex post assessment** process aims to perform an analysis as to whether amongst others the outcomes of the initial ex ante risk assessment process were correct. This is a measure for ING to adjust any variable remuneration downwards, e.g. by applying a holdback of any unpaid or unvested variable remuneration.

Any decision on ex ante or ex post variable remuneration adjustments, holdback or clawback is at the discretion of the ING Supervisory Board.

In the context of the ex post assessment process, ING can apply holdback up to 100% of the awarded and unvested deferred variable remuneration from any current (or ex-) staff member. The same applies to clawback for up to 100% of the paid and/or vested variable remuneration.

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

| | Holdback | Clawback |
|---|-----------------|-----------------|
| Holdback or clawback <u>can</u> be applied in the following circumstances: | | |
| 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 KPI's) 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 <u>must</u> 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 the company's control functions (e.g. Finance, Risk, Legal and HR). To ensure that the Remuneration Committee receives adequate and accurate information, compensation committees in the business lines are in place. In addition, remuneration is a key topic of review of our Corporate Audit Services department.

On 31 December 2015 the members of the Remuneration Committee were: Henk Breukink (chairman), Joost Kuiper and Jeroen van der Veer.

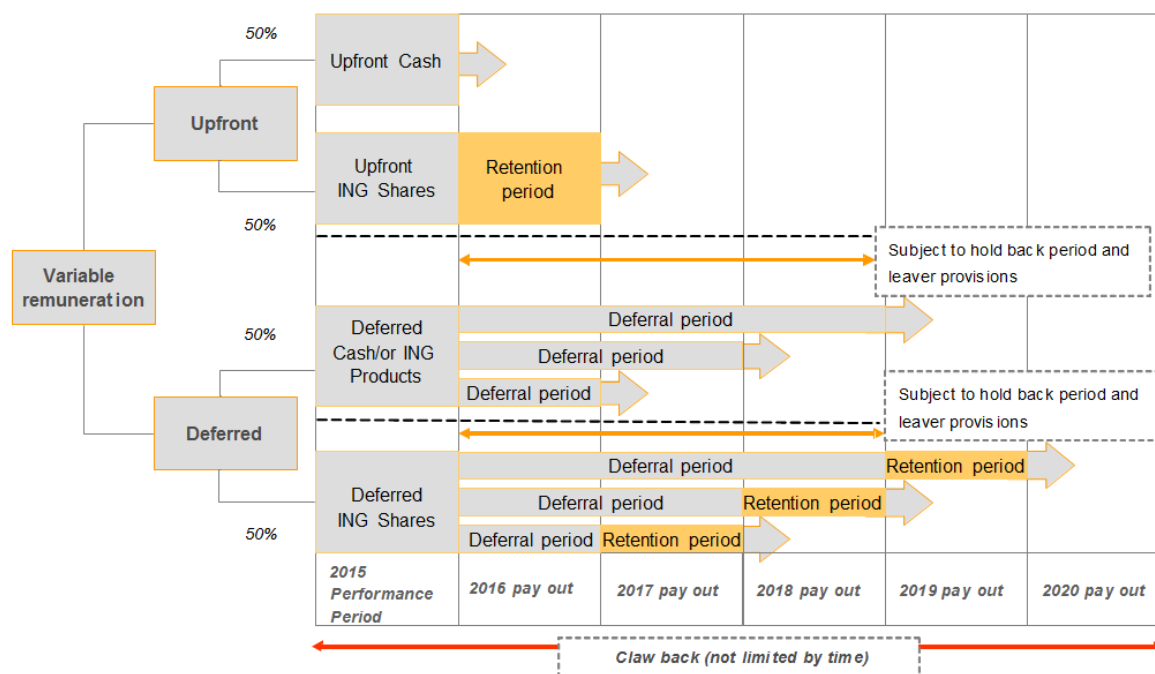
In 2015, the Remuneration Committee met 8 times. Topics related to Identified Staff discussed in 2015 included:

- regulatory developments including CRDIV and the Act on remuneration policies of financial undertakings (Wbfo);
- the annual review of the ING Bank Remuneration Framework;
- the Identified Staff selection criteria;
- the annual compensation review for Identified Staff members, including the solvency test and determination of the bonus pool, and potential cases for holdback or clawback of compensation; and
- the annual risk analysis for the purpose of the ING Bank Remuneration Framework.

Regarding remuneration the services of the following external consultants have been used: Stibbe, KornFerry-Hay Group, WillisTowersWatson and PwC.

The roles and responsibilities of the Remuneration Committee are outlined in the Charter of the Remuneration Committee, which is available on the ING website (www.ing.com).

Figure 1: Pay-out schedule ING



6. Quantitative information

The following tables show the remuneration awards made by ING for the performance year 2015.

Table 1 – Details of remuneration Identified Staff in relation to performance year 2015

| Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2015, 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 | 4 | 704 |
| Fixed remuneration ¹ | 5,180 | 4,640 | 195,836 |
| Variable remuneration ² | 636 | 2,139 | 81,924 |
| Of which Upfront cash | - | 390 | 23,902 |
| Of which Upfront shares | 254 | 466 | 23,902 |
| Of which Deferred cash | - | 585 | 16,587 |
| Of which Deferred shares or equity-linked instruments | 382 | 698 | 16,587 |
| Of which Other instruments ³ | - | - | 946 |

| | | | |
|---|---|-----|-------|
| Sign-on, buy out and retention awards in 2015: | | | |
| - Number of beneficiaries | - | 1 | 2 |
| - Sign-on, buy out, retention awards | - | 830 | 409 |
| Severance payments awarded in 2015 ⁴: | | | |
| - Number of beneficiaries | - | - | 14 |
| - Severance awards | - | - | 5,198 |

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 salary in excess of €100,000)

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

³ Paid in 2015, including profit share and CLA based variable remuneration

⁴ The highest severance payment awarded to an employee is € 995,000

Table 2 Number of Identified Staff with total remuneration above 1 million euro, per bracket

The increased number of Identified staff with total remuneration above 1 million euro (high earners) and the shifts in the brackets is a result of multiple factors, amongst which the inclusion of pension contributions, award of variable remuneration to Executive Board members and exchange rate fluctuations. The majority of high earners is working outside the Netherlands.

| Total compensation | | | |
|---------------------------|---------------------------|---------------------------|---------------------------------|
| | Executive Board ING Group | Management Board ING Bank | Other Identified staff ING Bank |
| € 1,000,000 - € 1,500,000 | | | 15 |
| € 1,500,000 - € 2,000,000 | 2 | 4 | |
| € 2,000,000 - € 2,500,000 | 1 | | 1 |
| € 2,500,000 - € 3,000,000 | | | 1 |

Table 3 – Details of remuneration Other Identified Staff ING Bank in relation to performance year 2015

| ING Bank | Fixed and variable remuneration awarded to Other Identified Staff ING Bank in relation to performance year 2015, 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 | 303 | 113 | 105 | 8 | 175 |
| Fixed remuneration | 97,482 | 25,684 | 25,085 | 3,942 | 43,643 |
| Variable remuneration | 54,230 | 6,698 | 12,338 | 2,414 | 6,243 |
| Of which Upfront cash | 16,055 | 1,899 | 3,424 | 667 | 1,857 |
| Of which Upfront shares | 16,055 | 1,899 | 3,424 | 667 | 1,857 |
| Of which Deferred cash | 10,963 | 1,299 | 2,535 | 534 | 1,256 |
| Of which Deferred shares or share-based instruments | 10,963 | 1,299 | 2,535 | 534 | 1,256 |
| Of which Other instruments ¹ | 194 | 302 | 420 | 12 | 17 |

¹ Paid in 2015, including profit share and CLA based variable remuneration

Table 4 - Analysis of deferred remuneration

This table includes deferred remuneration awarded or paid in 2015 to current and former members of the Executive Board ING Group and Management Board Banking and Other Identified Staff of ING. With respect to Identified Staff based on Capital Requirements Directive III (CRD III), this table does not include deferred remuneration granted prior to the implementation of CRD III, i.e. annual incentives granted in relation to performance years prior to 2011. With respect to Identified Staff based on 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 2015¹ | | |
|---|---|--|
| Amounts in thousands of euros | (Former) Executive Board ING Group & Management Board ING Bank | Other Identified Staff ING Bank |
| Outstanding, vested ² | 1,211 | 13,543 |
| Outstanding, unvested ³ | 1,195 | 25,124 |
| Awarded during financial year ⁴ | 2,350 | 39,556 |
| Paid out ⁵ | 2,101 | 25,251 |
| Reduced amount through performance adjustment (holdback and clawback) ⁶ | 0 | 86 |

¹ Equity is valued at the opening stock price of 31st of December 2015, being €12.65

² The amounts of outstanding deferred equity that vested in 2015

³ The amounts of unvested deferred equity awarded in financial year 2015

⁴ The amounts of deferred remuneration (cash & equity) awarded during the financial year 2015

⁵ Payments in 2015 on deferred cash and equity

⁶ In 2015 holdback was applied with respect to one Identified Staff member