



Dutch Regulation on Sound Remuneration Remuneration disclosures as at 31 December 2012

Introduction and scope

During 2012 ING continued its policy of modest remuneration of senior management and other Identified Staff. Salaries were capped for most senior managers and variable compensation was further reduced. As a result, the average variable remuneration for senior management and Identified Staff decreased with 22% against 2011.

The primary objective of the remuneration policy of ING is to enable ING to retain and recruit qualified and expert leaders, senior staff and other highly qualified employees. The remuneration policy of ING 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. In 2012, ING continued to review and adjust its policies and processes to ensure alignment with the local regulations, the market environment and its social environment. The Frameworks of ING Group, ING Bank, ING Insurance EurAsia and ING Insurance US were fully implemented.

The 2012 disclosures on remuneration are in accordance with the Dutch Regulation on Sound Remuneration pursuant to the Financial Supervision Act (*Regeling beheerst beloningsbeleid* Wft 2011, RBB), as published in the Staatscourant 2010, no. 20931, publication date 3 March 2011 and in line with the principles laid down in Directive 2010/76/EU, the Capital Requirements Directive III (CRD III), as completed by more detailed Guidelines on Remuneration Policies and Practices from the Committee of European Banking Supervisors (CEBS), the predecessor of the European Banking Authority (EBA).

The scope of disclosure is Identified Staff members, based on the selection method established in accordance with the RBB. These include:

- Executives;
- Senior management responsible for day-to-day management;
- Staff responsible for independent control functions; and
- Other risk takers.

The categories above include most senior level management across our Bank and Insurance organisation as well as those responsible for the management of the constituent businesses.

The qualitative and quantitative data in this document are based on the remuneration policies, processes and design applicable as per 1 January 2012. This report relates to the performance year 2012 and includes the ING Insurance US business. In 2012, ING fully implemented the required changes to its remuneration policies in order to comply with the Capital Requirements Directive III (CRD III).

Remuneration Framework ING Group

The Group Remuneration Framework applies to ING and sets standards to which ING as a whole must adhere as a minimum and to facilitate transparency in ING's approach to remuneration and performance management. It contains policies for all staff, control

functions and identified staff. Remuneration includes all forms of awards, payments or benefits in exchange for professional services rendered by staff of ING.

Policies for Identified 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. Variable remuneration is performance-based and risk-adjusted and is partly paid upfront and partly deferred. Deferred variable remuneration is subject to an ex post assessment of performance and, if necessary, a downward adjustment, hold back or claw back.

The amount of variable remuneration is determined by the performance of the business as a whole, the performance of the business line and the individual performance. Variable remuneration is based on financial and non-financial performance objectives (often customer based indicators like customer satisfaction, NPS, availability of IT infrastructure, etc.) and is partly paid in equity instruments. For variable remuneration in equity-linked instruments, a retention period is applicable of at least one year.

Performance Management Principles

Performance management is a core business process to align individual performance objectives with the long term strategy of ING Group and to ensure a sustainable and successful business for all its stakeholders. The performance management process is linked to remuneration to prevent rewarding for failure and to address the long term sustainability within the risk appetite framework.

Each individual Identified Staff's annual performance appraisal, is equally determined by what that individual contributes to the success of the business as by how the contribution was delivered (e.g. values, business principles, leadership competencies).

To establish relevant performance objectives, the ING financial and strategy plan is determined annually and translated into relevant business objectives. The business objectives of the Executive Board are cascaded to the rest of the Identified Staff and subsequent layers in the organisation. This process ensures the alignment of individual performance objectives with the short-term and long-term strategy of ING and involves input from control functions to ensure appropriate risk adjustment of the performance objectives on each level.

For Control Functions, performance objectives support the independence and objectivity required in their roles and in line with their responsibilities. Minimum standards are set to determine the ratio between (i) fixed and variable remuneration; (ii) financial and non-financial performance objectives, and (iii) group, business line and individual objectives. The variable remuneration is predominantly based (i.e. at least 50%) on function-specific objectives that include qualitative criteria, but are not determined by the financial performance of the business level directly monitored by the Control Function.

The performance assessment of Identified Staff extends beyond the date that variable remuneration awards are made and continues as part of a multi-year framework. In this way a longer-term performance management horizon is established that ensures that variable remuneration continues to remain 'at risk'. Effectively any undesired risk taking, issues or staff behaviour that was not apparent (or foreseen) at the time the variable remuneration was

awarded, can and will be taken into account in relation to the actual (deferred) vesting of variable remuneration.

Remuneration

ING Remuneration Policies applicable to all staff are as follows:

- No Variable Remuneration can be awarded or paid if a capital adequacy test is not met;
- No Variable Remuneration can be awarded unless the company or the business line is profitable;
- Variable Remuneration awards exceeding a certain level are subject to deferral in accordance with ING Group's deferral scheme and this deferred variable remuneration is subject to the possibility of hold back under certain conditions;
- All staff are prohibited from using personal hedging strategies;
- Guaranteed variable remuneration can only be awarded on an exceptional basis and is only permitted for newly hired staff during the first year of employment;
- Ex ante risk adjustments are applied at individual level using input from the Risk Function when determining the amount of any Variable Remuneration award;
- Severance payments do not reward for failure.

In addition, the following Remuneration Policies are applicable to Identified Staff:

The total compensation package of Identified Staff consists of fixed remuneration (including benefits) and variable remuneration. Benchmark data of international organisations, inside and outside the financial sector, is used to determine total compensation levels. ING aims to set total compensation levels slightly below market median levels (in line with Dutch Code Banken).

Fixed remuneration

The fixed remuneration of Identified Staff represents a sufficiently high proportion of the total remuneration to compensate these staff in line with the level of expertise and skills required for the relevant business sector and regions.

Benefits

Identified Staff are eligible to receive various employee benefits or a cash equivalent via flexible benefits on a similar basis as other employees, such as a pension, employee discount on financial services, disability insurance. It should be noted that benefits differ on a country-by-country basis, however are always aligned to the appropriate market in each country.

Variable remuneration

For Group, Bank and Insurance EurAsia, the frameworks were fully implemented in 2012. For the Insurance US operations, ING has implemented in 2012 a remuneration policy which fits the local market practise and requirements and the Capital Requirements Directive III. It allows ING to compete locally with our competitors to attract and retain talent, meet different regulatory requirements within the US insurance industry and to support the intended separation of these activities from ING.

Variable remuneration for Bank and Insurance EurAsia

The ability to award variable remuneration in a given performance year depends on the business performance and meeting the following qualifiers: return on equity, core Tier 1 ratio and debt-to-equity ratio.

Maximum ratios between fixed and variable remuneration have been set for Identified Staff. The ratio differs for each Identified Staff category and depends on the individual risk profile of the Identified Staff in question. These limiting ratios include levels of payouts covering 'above target' or exceptional performance and do not only reflect 'on target' or expected performance.

Split in upfront and deferred variable remuneration

Variable remuneration for Identified Staff is subject to deferral and is split equally between cash (or for Investment Management, a combination of cash and deferred awards in the investment funds managed by the business) and equity linked instruments. Variable remuneration remains subject to ex post risk adjustments. Therefore a material portion of variable remuneration is deferred. The ratios between the upfront and deferred portion of the variable remuneration for Identified Staff (at least 40% and up to 60% is deferred) are linked to job position as well as to the fixed to variable ratios.

The minimum deferral period is three years, applying a tiered vesting schedule. Deferred variable remuneration is vested annually, with equal parts of shares and cash (or investment management Funds) vesting each year. The first deferred portion of the variable remuneration does not vest sooner than 12 months after the start of the deferral period. Any vesting portion of deferred equity-linked instruments is subject to an additional retention period of at least one year.

Variable remuneration Insurance US

The ING Insurance US Remuneration Framework does not award discretionary pension benefits, but an exception is made for the vesting credit for certain newly-hired staff. Maximum ratios between fixed and variable remuneration have been set for Identified Staff. However in order to remain an attractive employer, the ratios are different than Insurance EurAsia and Bank.

At least 25% of variable remuneration is comprised of Long Term Incentive Plans. In line with local practice the upfront variable remuneration will be paid in cash, whereas the deferred variable remuneration will be paid in equity (linked instruments). Variable remuneration remains subject to ex post risk adjustments. Vesting for Long Term incentive plans is four years tiered with no subsequent holding period.

Ex post assessment criteria

The performance assessment extends beyond the date that variable remuneration awards are made and continues as part of a multi-year framework of at least three to five years.

Hold back and claw back as a way of malus

ING has the option of applying a hold back, i.e., not to pay out variable remuneration, in the following circumstances:

- In the event of evidence of misconduct 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 changes in the economic and regulatory capital base.
- 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 Group's annual accounts and/or significant harm, reputational or otherwise, to ING or any of its subsidiaries or affiliates.
- If any other material new information comes to light that would have changed the original determination of the award of variable remuneration to that individual had it been known at the time of the award; such reassessment is also based on the criteria for the original award.

A claw back of paid/vested variable remuneration from any current (or former) Identified Staff can 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's annual accounts and/or significant harm, reputational or otherwise, to ING or any of its subsidiaries or affiliates.

Remuneration decision-making process (governance)

The Remuneration Committee advises the Supervisory Board on remuneration decisions within its discretionary power.

Mandate of the Remuneration Committee

As this concerns the responsibilities of the Supervisory Board, the mandate of the Remuneration Committee includes:

- The design, implementation and execution of the Executive Board remuneration policies and review of remuneration proposals for the Executive Board.
- The central review of the enforcement, implementation and alignment of remuneration policies with the Group remuneration policy and the approval of any material exceptions to the Group remuneration policy.
- The oversight of the approval of variable remuneration pools.
- The oversight of remuneration proposals for Identified Staff (including senior management of Control Functions) as well as the highest variable incomes.
- Selection of Identified Staff positions.
- The oversight of any material retention, severance and welcome packages, with a view to assessing whether they are consistent with the Company's Group remuneration policy.

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 control functions such as Finance, Risk, Compliance, HR and Legal. In

addition, remuneration is a key topic of review for our internal audit services (Corporate Audit Services).

Composition of the Remuneration Committee

In 2012, the Remuneration Committee consisted of Peter Elverding (chairman), Sjoerd van Keulen, Piet Klaver, Jeroen van der Veer and Lodewijk de Waal.

In 2012, the Remuneration Committee met 8 times. Topics discussed in 2012 included:

- Remuneration Framework for Insurance US
- Remuneration Report 2011
- Governance Framework for Identified Staff remuneration and appointment
- Annual Remuneration Review
- CRD III Disclosure Report.

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). During 2012 the Remuneration Committee consulted independent advisors on remuneration topics.

Quantitative information

The following tables show the remuneration awards made by ING in respect of the performance year 2012.

Table 1 – Details of remuneration over 2012

	Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2012, split by instrument			
amounts in thousands of euros	Senior management ¹	Identified Staff/ non-senior management Insurance EurAsia	Identified Staff /non-senior management Insurance US	Identified Staff/ non-senior management Bank
Number of employees	17	100	36	238
Fixed remuneration	12.151	24.430	9.183	59.761
Variable remuneration	7.466	11.713	17.571	47.191
Of which Upfront cash	2.729	3.161	7.962	13.515
Of which Upfront shares	593	3.105	0	12.586
Of which Deferred cash	890	2.031	0	10.479
Of which Deferred shares or share-based instruments	3.254	2.750	9.609	10.609
Of which Other instruments	0	664 ²	0	0
Sign-on payments over 2012:				
- Number of beneficiaries	1	0	3	0
- Sign-on payments	500 ³	0	375	0
Severance payments over 2012:				
- Number of beneficiaries	2	7	0	2
- Severance payments	1.873	1.881	0	1.129

Discretionary pension benefits over 2012:				
- Number of beneficiaries	0	0	0	0
- Discretionary pension benefits	0	0	0	0

- 1 For purposes of this reporting document, senior management is defined as the members of the Executive Board of ING Groep N.V., Management Boards of ING Bank N.V., ING Verzekeringen N.V. and the Board of ING U.S., Inc. in 2012.
- 2 For the Investment Management business, 50% of deferred awards are made in a deferred investment in funds managed by the business instead of awarding deferred cash. In this way, alignment of interests is achieved between staff working in the Investment Management business and the clients who invest in funds managed by that business.
- 3 One of the new members of senior management received a 'buy-out' for the loss of compensation that he would have received had he not resigned from his former employer. The buy-out consists of a cash amount and shares with a total value of EUR 500.000 at the grant date, which vests in the years 2012-2015.

Table 2 - Analysis of deferred remuneration

This table does not include deferred remuneration granted prior to the implementation of Capital Requirements Directive III, i.e. annual incentives granted in relation to performance years prior to 2011. For Insurance US the Capital Requirements Directive III was implemented in 2012.

Table 2 – Analysis of deferred remuneration Identified Staff awarded or paid in 2012¹				
amounts in thousands of euros	senior management	Identified Staff/ non-senior management Ins EurAsia	Identified Staff / non-senior management ING US	Identified Staff / non-senior management Bank
Outstanding, vested ²	890	3.877	44	14.204
Outstanding, unvested ³	1.247	3.382	29	11.481
Awarded during financial year ⁴	3.382	9.856	103	35.774
Paid out ⁵	0	0	0	0
Reduced through performance adjustment (hold back) ⁶	0	0	0	0

- 1 Equity is valued at the opening stock price (€6,95) of 31st of December 2012.
- 2 Shares awarded in financial year 2012 in upfront equity, outstanding due to retention period.
- 3 Shares awarded in financial year 2012 in deferred equity and unvested.
- 4 Total amount of outstanding vested, outstanding unvested and deferred cash awarded in 2012.
- 5 Payments on deferred cash and equity.
- 6 In financial year 2012 there were no hold backs on awards in relation to performance year 2011. In 2013 the hold back provisions are applied on awards of performance year 2011 and will be shown in table of next year.

[Note: The English version of this document is leading.]