
Capital Requirements Regulation (CRR) 2017 Remuneration Disclosure ING Bank N.V.

1. Introduction

This 2017 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 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 2017 and relates to performance year 2017. 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 88-99 of the ING Group Annual Report 2017.

2. 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 within its organisation and, based on this, has identified positions and individuals that qualify as Identified Staff.

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

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

The number of Identified Staff at ING increased in 2017 (766), compared to 2016 (657). The rise in the total number of Identified Staff compared to last year is mainly due to an increase in staff members with a risk mandate or who qualify because of their total compensation is in excess of the minimum level set by the relevant criterion. In addition, more employees qualify as Identified Staff because they have a role in which other Identified Staff are required to report to them (managerial sweep). Furthermore, the Supervisory Board members have also been included in this year's number.

3. 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 prevents reward 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 done 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 after vesting through clawback if any so-called failure is detected. Variable remuneration is linked to financial and non-financial performance. At least 50% of the actual variable remuneration award is 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.

4. Remuneration policy and governance

Remuneration policy

ING's remuneration policy is designed to ensure that we offer well-balanced remuneration so we can recruit, engage and retain highly qualified staff and live up to our responsibilities towards our stakeholders.

ING's remuneration policy, which applies to all staff, is embedded in ING's Remuneration Regulations Framework (IRF). The IRF complies with relevant international and local legislation and regulations and sets specific requirements for Identified Staff, Control Functions and the Executive Board and Management Board Banking. All countries where ING is located must adhere to this framework and are obliged to sign a certificate stating that the remuneration policy in that specific country complies with the IRF. The only deviations that may apply 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 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 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 long-term value creation and based on individual, business line and bank-wide performance criteria. Where Identified Staff qualifies for variable remuneration it is subject to specific and/or regulatory conditions. In part these conditions aim to ensure the variable remuneration is aligned with the ongoing risk profile of ING Bank 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 instruments¹;

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.

Identified Staff Group	Role Grade	Deferral percentage	Deferral period from date of award (T)	Retention period	Cash/equity
Management Board	1	Non-deferred: Maximum 40%		Minimum five years starting at the moment of award	Executive Board: 0% cash 100% equity
		Deferred: Minimum 60%	Minimum five years (with tiered vesting in year T + 1/2/3/4/5)	Minimum one year following year of vesting	Management Board: 50% cash 50% equity
Senior Management in Risk Taker Roles	2	Non-deferred: Maximum 50%			50% cash 50% equity
		Deferred: Minimum 50%	Minimum five years (with tiered vesting in year T + 1/2/3/4/5)	Minimum one year following year of vesting	
Other Senior Management	3	Non-deferred: Maximum 60%			50% cash 50% equity
		Deferred: Minimum 40%	Minimum five years (with tiered vesting in year T + 1/2/3/4/5)	Minimum one year following year of vesting	
Other Identified Staff members	3	Non-deferred: Maximum 60%			
		Deferred: Minimum 40%	Minimum three years (with tiered vesting in year T+1/2/3)	Minimum one year following year of vesting	50% cash 50% equity

Sign-on/buy-out

ING awards a buy-out (in case the staff member has forfeited their deferred compensation from their previous employer) or sign-on (in case the staff member loses their entitlement to annual variable remuneration from their previous employer) arrangement solely:

- I. to new staff members in view of their commencing employment at ING;
- II. during the first year of service of the new staff member;
- III. if the staff member was not employed by ING in the year prior to the new employment; and
- IV. if ING has a sound and strong capital base.

In these instances the payments are excluded from the applicable variable remuneration calculations and do not count towards the cap. Sign-on awards can be paid out directly and in cash. Buy-out awards are, at a minimum, subject to the vesting schedule of the previous employer (adjusted to ING vesting dates) and are awarded at least for 50% in equity if the recipient qualifies as Identified Staff. If one or more of the conditions (i) through (iv) are not met, the arrangement will not qualify as buy-out or sign-on, and will be subject to all the conditions that apply to variable remuneration.

¹ For the Executive Board the total variable remuneration is paid out in shares.

Severance

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

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.

In addition ING will not pay out any form of severance payment to a daily policymaker in the event of a failure of institution. 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 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
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 2017, the Annual General Meeting approved to continue the increase of the variable remuneration percentage to 200% for performance years 2017 to 2021 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 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 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 the company performance at bank, business line and individual levels, as well as a solvency test. In addition, risk requirements apply to staff members that are considered risk takers, including Identified Staff. 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 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 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 2017, the members of the Remuneration Committee were Henk Breukink (chairman), Robert Reibestein, Hans Wijers and Jeroen van der Veer.

The Remuneration Committee met six times in 2017. Topics discussed at these meetings relating to Identified Staff included:

- 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 Identified Staff and high earners;
- the annual compensation review for Identified Staff members, including the application of risk modifiers, the bank capital test (i.e. the RoE and CT1 hurdles) and determination of the bonus pool; and
- proposals for holdback or clawback of compensation.

The services of the following external consultants were used with regards to remuneration: Stibbe, WillisTowersWatson, McLagan, Korn Ferry Hay Group and PwC. 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).

Quantitative information

The following tables show the remuneration awards made by ING to Identified Staff for the performance year 2017.

Details of remuneration of Identified Staff in relation to performance year 2017

amounts in euros (rounded figures)	Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2017, split by instrument				
	Supervisory Board ING Group	Executive Board ING Bank	Management Board ING Bank	Other Identified Staff ING Bank	Other Identified Staff - Control functions ING Bank
Number of employees	10	5	5	478	268
Fixed remuneration ¹	1,022	5,912	5,071	149,340	59,151
Variable remuneration ²	-	564	2,370	66,803	14,816
Of which Upfront cash	-	-	463	19,226	4,314
Of which Upfront shares	-	226	485	19,216	4,264
Of which Deferred cash	-	-	694	13,791	2,995
Of which Deferred shares	-	339	728	12,824	2,395
Of which equity-linked instruments	-	-	-	1,426	600
Of which Other instruments ³	-	-	-	320	248
Sign-on, buy out and retention awards in 2017:					
- Number of beneficiaries	-	-	-	4	8
- Sign-on, buy out, retention awards	-	-	-	302	984
Severance payments awarded in 2017 ⁴					
- Number of beneficiaries	-	1	-	12	7
- Severance awards	-	1,204	-	7,824	3,775

1 Fixed remuneration of Supervisory Board members includes the standard fees per role and committee (VAT included). Fixed remuneration of Executive Board, Management Board and Other Identified Staff includes 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 €103,317. Excluding severance awards.

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

3 Paid in 2017, including profit sharing and CLA-based variable remuneration.

4 The highest severance award to an employee is EUR 1,065,631

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

Total remuneration ¹	Executive Board ING Group	Management Board ING Bank	Other Identified staff ING Bank	Other Identified Staff - Control functions
€ 1,000,000 - € 1,500,000	2	1	5	-
€ 1,500,000 - € 2,000,000	-	3	1	-
€ 2,000,000 - € 2,500,000	-	-	2	-
€ 2,500,000 - € 3,000,000	1	-	-	-

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

The decreased number of Identified Staff with total remuneration above EUR 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.

Details of remuneration Identified Staff ING Bank in relation to performance year 2017

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	Other Identified Staff - Control functions
Number of employees	308	65	65	15	25	268
Fixed remuneration ¹	97,115	17,213	19,577	5,377	10,058	59,151
Variable remuneration ²	49,912	3,205	8,616	2,274	2,796	14,816
Of which Upfront cash	14,752	886	2,258	648	682	4,314
Of which Upfront shares	14,742	886	2,258	648	682	4,264
Of which Deferred cash	10,070	644	2,032	481	564	2,995
Of which Deferred shares	9,842	121	1,636	361	864	2,395
Of which share-based instruments	388	524	394	120	-	600
Of which Other instruments ³	118	144	38	16	4	248

1 Excluding severance awards.

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

3 Paid in 2017, including profit sharing and CLA-based variable remuneration.

Analysis of deferred remuneration Identified Staff awarded or paid in 2017¹

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 ²	1,587	17,541	61
Outstanding, unvested ³	1,471	22,953	88
Awarded during financial year ⁴	2,198	36,138	163
Paid out ⁵	2,502	36,994	103
Reduced amount through performance adjustment (holdback and clawback) ⁶	-	-	-

1 Equity is valued at the opening stock price on 29 December 2017, being € 15.40

2 The amounts of outstanding deferred equity that vested in 2017.

3 The amounts of unvested deferred equity awarded in financial year 2017.

4 The amounts of deferred remuneration (cash and equity) awarded during the financial year 2017.

5 Payments in 2017 of deferred cash and equity.

6 In 2017, holdback and/or clawback has not been applied to any Identified Staff member.

This table includes deferred remuneration awarded or paid in 2017 to current and former members of the Executive Board ING Group and 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.