



Capital Requirements Regulation (CRR)

2021

Remuneration

Disclosure

ING Bank N.V.

Introduction

This 2021 remuneration disclosure provides detailed information on ING's remuneration principles and practices for Identified Staff, including members of the Executive Board and Management Board Banking. Additionally, it demonstrates how ING is complying with applicable remuneration regulations in the financial services sector.

The data presented is based on policies and processes applicable in 2021 and relates to performance year 2021. Where we report for CRR disclosure, this includes the Pillar III disclosure.

This report should be read in conjunction with the Remuneration report on pages 236 to 262 of ING's Annual Report 2021.

Identified Staff selection

ING's selection of Identified Staff is based on the European Banking Authority's Regulatory Technical Standards (RTS) of 25 March 2021.

The RTS comprises qualitative and quantitative selection criteria. ING has carefully considered how to apply these criteria and, based on this, has identified positions and individuals that qualify as Identified Staff.

The selection and deselection of Identified Staff is an ongoing process to reflect staffing and organisational changes. Periodic checks are performed to ensure accurate Identified Staff administration.

ING reviews its application of Identified Staff selection criteria annually and, if necessary, amends this process to comply with applicable regulations and align it with the organisation.

The number of Identified Staff at ING increased in 2021 (718) compared to 2020 (693).

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 within its risk appetite. Performance management is linked to remuneration and aims to reward for performance and not reward for failure.

Performance management supports ING's long-term interests and remuneration is a part of this. Assessing the performance of Identified Staff, and subsequently awarding variable remuneration to those who qualify, is carried out as a part of a multiple-year framework. This longer-term performance management horizon ensures variable remuneration remains 'at risk' throughout the deferral period by means of a possible holdback, as well as the fact that the equity part is subject to share price fluctuations.

Variable remuneration is linked to non-financial and financial performance. At least 50% of the variable remuneration award must be based on non-financial performance criteria. Variable remuneration takes into account company performance, business line performance and individual performance. Any undesired risks that were 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.

Remuneration principles and governance

Remuneration principles

The primary objective of ING's remuneration principles is to attract, motivate and retain qualified and expert leaders (including Executive Board members), as well as senior staff and other highly qualified staff with the desired Orange Code values and behaviours, skills and knowledge to deliver on ING's purpose and strategy in a sustainable way.

The remuneration principles are an integral part of ING's corporate strategy and risk profile. They maintain a sustainable balance between short and long-term value creation and build on ING's long-term responsibility towards customers, society and other stakeholders.

ING's remuneration principles apply to all staff and are embedded in the ING Remuneration Regulations Framework (IRRF). The IRRF complies with relevant international and local legislation and regulations. It sets specific requirements for Identified Staff, control functions, the Executive Board and the Management Board Banking. All business units in countries where ING is located and all majority-owned entities must adhere to this framework and are obliged to sign a certificate stating that their remuneration principles comply with the IRRF. The only applicable deviations are those based on mandatory local legislation or in a limited transformation period (e.g. negotiations with employee representative bodies).

ING's approach on the remuneration principles did not change in 2021. The principles are also embedded into ING's 'our people offer', introduced in 2020 that sets out ING's differentiating offer as an employer and states what ING asks of its people in return. It gives guidance to ING's global people practices, while supporting its strategy. Our people offer complies with relevant international and local legislations and regulations.

Remuneration requirements for Identified Staff

Fixed remuneration

Fixed remuneration for Identified Staff is sufficiently high to reward for the respective level of expertise, skills and range of responsibilities required for fulfilling a specific job in a business unit and region. Furthermore, the level of fixed remuneration allows variable remuneration to be reduced to zero. In the event that no variable remuneration is awarded, the compensation level is still sufficient for a decent standard of living.

Benefits

Like all other staff, under predetermined conditions Identified Staff are eligible to receive employee benefits such as pension, medical or accident insurance. Benefits are regulated locally and follow market practices and therefore differ on a local level. ING does not award discretionary pension benefits.

Variable remuneration

Variable remuneration, where applicable, is primarily focused on creating long-term value and is based on individual, business line and bank-wide performance criteria. Where Identified Staff qualify for variable remuneration it is subject to specific and/or regulatory conditions. These conditions aim, in part, to ensure the variable remuneration is aligned with ING's ongoing risk profile 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 four 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.
- Vesting is conditional on continued employment, provided limited exceptions.

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

ING applies different percentages to the upfront and deferred portions of variable remuneration, varying from 40% to 60% upfront, depending on job position.

Sign-on/buy-out arrangement

Sign-on and buy-out arrangements are types of variable remuneration that are only awarded in exceptional cases and relate to the start of employment. The buy-out arrangement or sign-on arrangement is solely awarded:

- I. to a new staff member in view of their employment at ING;
- II. during the first year of service;
- III. if the staff member was not previously employed at ING in the year prior to being hired; and
- IV. if ING has a sound and strong capital base as described in section 6 on the EBA Guidelines on sound remuneration policies under Directive 2013/36/EU.

Sign-on arrangement

In the event of a sign-on arrangement, remuneration is paid to a new staff member in their first year of service to compensate for a loss of variable remuneration from their previous employer. Sign-on arrangements are excluded from the variable remuneration ratio for the first performance period, where the sign-on arrangement is awarded to a new staff member who was hired before the first performance period starts.

Buy-out arrangement

In the event of a buy-out arrangement, ING compensates for the loss of deferred variable remuneration awarded by a prior employer that was forfeited as a direct result of joining ING. The buy-out arrangement should not compensate the new staff member for a loss of variable remuneration or for variable remuneration that has already been compensated by ING or the previous employer. Written evidence of the forfeit needs to be provided to ING. The value of the forfeited deferred shares or other instruments is determined based on the fair market value at the commencement date of employment.

For buy-out arrangements, all requirements for variable remuneration apply, including deferral, retention periods, pay out in instruments, holdback and clawback. Buy-out arrangements are subject

to the vesting schedule of the previous employer (adjusted to ING vesting dates) and are awarded at least 50% in equity if the recipient qualifies as Identified Staff.

Severance

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

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 duties; or
- the staff member continues to work for ING in another function.

The maximum severance payment that can be paid out to daily policymakers will amount up 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 members of the Executive Board and 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
Netherlands (NL)	Staff working mainly in NL and solely remunerated on the basis of the collective labour agreement (CLA)	20%
Netherlands	Staff working mainly in NL who are not (solely) remunerated on the basis of the CLA	20% average 100% individual ²
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 ³

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 variable remuneration. All awards are subject to regulatory maximum variable remuneration percentages.

The pre-award assessment process aims to consider all potential risks now and in the future. As part of this process, ING takes into account company performance, business line and individual performance, as well as a solvency test. In addition, risk requirements apply to all Identified Staff in so-called risk-taker roles. 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

² Within ING this exemption is only used for a limited group of employees (i.e. employees meeting one or more of the following criteria: (i) very specific and unusual circumstances, (ii) exceptional talent, (iii) a unique job function.

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.

Ex post risk adjustment criteria	Character of the adjustment	Mechanisms at ING's disposal
<p>Criterion 1. The staff member failed to meet appropriate standards of fitness or propriety</p>	<p>Mandatory Once ING has concluded which criterion applies ING <u>will</u> apply an individual VR reduction</p>	<p>(1) In-year VR reduction: applied to non-deferred VR; (2) Holdback: applied to deferred VR; and/or (3) Clawback: applied to vested or paid VR</p>
<p>Sub criterion 1.a. Engaging in conduct or acts considered fraud or other types of criminal activities</p>		
<p>Sub criterion 1.b. Serious misbehaviour or error by a staff member, including a serious breach of: (i) fundamental principles set out in the Dutch banker's oath and its foreign counterparts, (ii) internal codes of conduct or other internal rules, especially those concerning risk, or (iii) his/her employment contract, relevant laws or regulations</p>		

³ In 2021, the Annual General Meeting voted in favour of continuing to increase the variable remuneration percentages to 200% for performance years 2022 to 2026 for no more than 1% of ING staff globally. Related to 2021, XX employees received variable remuneration exceeding 100%.

Ex post risk adjustment criteria	Character of the adjustment	Mechanisms at ING's disposal
<p>Criterion 2. The staff member participated in or was responsible for conduct which resulted in significant losses to ING or any of the legal entities in its group</p>	<p>Mandatory Once ING has concluded which criterion applies ING <u>will</u> apply an individual VR reduction</p>	<p>(1) In-year VR reduction: applied to non-deferred VR; (2) Holdback: applied to deferred VR; and/or (3) Clawback: applied to vested or paid VR</p>
<p>Sub criterion 2.a. In the event of specific conduct that leads to the material re-statement of ING annual accounts and/or significant (reputational) harm to ING or any of its subsidiaries or affiliates.</p>		
<p>Criterion 3. Payment of the VR award would be unacceptable according to the principles of reasonableness and fairness.</p>	<p>Discretionary Once ING has concluded which criterion applies ING <u>can</u> apply an individual VR reduction</p>	<p>(1) In-year VR reduction: applied to non-deferred VR; and/or (2) Holdback: applied to deferred VR</p>
<p>Sub criterion 3.a. Whether the Institution and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators).</p>		
<p>Sub criterion 3.b. Whether the Institution and/or the business unit in which the staff member works suffers a significant failure of risk management.</p>		
<p>Sub criterion 3.c. Significant increases in the Institution's or business unit's economic or regulatory capital base.</p>		
<p>Sub criterion 3.d. Any regulatory sanctions where the conduct of the staff member contributed to the sanction.</p>		
<p>Sub criterion 3.e. The VR award was made on the basis of incorrect information relating to the achievement of the targets underlying the VR award or circumstances that the VR award depended upon.</p>		

Ex post risk adjustment criteria	Character of the adjustment	Mechanisms at ING's disposal
<p>Criterion 4. The VR payment was made on the basis of incorrect information relating to the achievement of the targets underlying the VR award or circumstances that the VR award depended upon.</p>	<p>Discretionary Once ING has concluded which criterion applies ING <u>can</u> apply an individual VR reduction</p>	<p>(3) Clawback: applied to vested or paid VR</p>

Remuneration governance

The Remuneration Committee assists the Supervisory Board with discussions and decisions on remuneration, including on remuneration policies and their application and compliance. They are supported by the Finance, Risk, Corporate Audit Services (CAS), Compliance, Legal and HR departments. 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 by CAS.

On 31 December 2021, the members of the Remuneration Committee were Herna Verhagen (chair), Mariana Gheorghe, Harold Naus and Hans Wijers.

The Remuneration Committee met 9 times in 2021.

Topics relating to Identified Staff that were discussed at these meetings included among others:

- the annual review of the ING Remuneration Regulations Framework;
- the review of the remuneration report;
- the update of the Reward & Appointment Framework;
- the potential implications of the Covid-19 pandemic on ING's target setting and remuneration policies;
- the application of the Identified Staff selection criteria;
- annual report of remuneration proposals for Identified Staff;
- the update of the Variable Remuneration Accrual Model and other variable remuneration related matters;

- individual remuneration and severance proposals for Identified Staff and high earners;
- the annual compensation review for Identified Staff, including the application of risk modifiers, the performance hurdles (i.e. the RoE and CET1 hurdles) and determination of the bonus pool; and
- the mandate of the variable remuneration cap for selected global staff outside the European Economic Area in the Corporate Staff departments, and in the business lines of Wholesale Banking and Retail Banking from 100% to 200%, for a period of five performance years, starting with performance year 2022.

The services of the following external consultants were used with regards to remuneration: Stibbe, WillisTowersWatson, McLagan, Korn Ferry Hay Group and Deloitte. 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 ING's corporate website (www.ing.com).

Quantative information

The following tables show the remuneration awards made by ING for Identified Staff for the performance year 2021.

Table 1 – Total fixed and variable remuneration awarded to Identified Staff

Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2021, split by instrument					
	Supervisory Board	Executive Board	Management Board	Other Identified Staff	Other IDS – Control Functions
Amounts in thousands of euros	ING Group	ING Group	ING Bank	ING Bank	ING Bank
Number of employees	9	3	6	467	233
Fixed remuneration^{1,2}	994³	4,033	5,626	136,662	46,837
Variable remuneration	-	663	3,388	58,163	9,464
Of which upfront cash	-	-	664	16,567	2,698
Of which upfront shares	-	265	691	14,404	2,310
Of which deferred cash	-	-	997	12,277	1,911
Of which deferred shares	-	398	1,036	10,465	1,606
Of which equity-linked instruments	-	-	-	4,147	762
Of which other variable remuneration ⁴	-	-	-	304	177
Sign-on, buy-out and retention awards in 2021					
- Number of beneficiaries	-	-	-	8	3
- Sign-on, buy-out, retention awards	-	-	-	963	413
Severance payments awarded in 2021⁵					
- Number of beneficiaries	-	-	1	24 ⁶	6
- Severance awards	-	-	1,075	14,894	1,836

1 Fixed remuneration consists of base salary, the contribution individual savings and the employer pension contribution minus the employees' pension contribution. This amount is excluding sign-on, buy-out, retention and severance awards.

2 The amount for the Executive Board and Management Board excludes the individual savings allowance (in compensation for the loss of pension benefits on remuneration above € 112,189). This allows for a better comparison with other Identified Staff, as the allowance is only applicable in the Netherlands.

3 Fixed remuneration of Supervisory Board members includes the standard fees per role and committee (VAT included).

4 Paid in relation to 2021, including profit sharing and collective labour agreement based variable remuneration.

5 This includes the severance payments awarded to all Identified Staff during 2021.

6 The highest severance award to an employee is € 1,990,000.

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

There is an increase in the number of Identified Staff with total remuneration above €1,000,000 (high earners). This is mainly due to higher variable remuneration compared to 2020. All five employees (excluding Executive Board and Management Board members) work outside the Netherlands.

Total remuneration ¹	Executive Board ING Group	Management Board ING Bank	Other Identified Staff ING Bank	Other IDS Control Function
€ 1,000,000 - € 1,500,000	1	3	4	-
€ 1,500,000 - € 2,000,000	1	2	1	-
€ 2,000,000 - € 2,500,000	1	1	-	-
€ 2,500,000 - € 3,000,000	-	-	-	-

1 This amount is excluding sign-on, buy-out, retention and severance awards. In addition the individual saving allowance is excluded.

Table 3 – Details of remuneration Identified Staff ING Bank in relation to performance year 2021

Fixed and variable remuneration awarded to Identified Staff in relation to performance year 2021, split by instrument ¹						
Amounts in thousands of euros	Wholesale Banking	Retail Banking Market Leaders	Retail Banking Challengers & Growth	Treasury	Corporate Staff and Other	Other IDS – Control Functions
Number of employees	225	59	89	18	76	233
Fixed remuneration	67,517	16,954	23,498	5,070	23,623	46,837
Variable remuneration	35,993	3,901	10,933	1,754	5,581	9,464
Of which upfront cash	10,532	985	2,943	518	1,589	2,698
Of which upfront shares	10,182	311	1,989	430	1,493	2,310
Of which deferred cash	7,372	854	2,515	349	1,187	1,911
Of which deferred shares	7,051	231	1,790	286	1,106	1,606
Of which share-based instruments	741	1,393	1,679	158	177	762
Of which other variable remuneration ²	116	128	18	12	30	177

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

2 Paid in relation to 2021, including profit sharing and collective labour agreement based variable remuneration.

Table 4 – Analysis of deferred remuneration

Analysis of deferred remuneration Identified Staff awarded or paid in 2021 ¹			
	(Former) Executive Board ING Group & Management Board ING Bank	Other Identified Staff ING Bank (non-control functions)	Other Identified Staff ING Bank (control functions)
Amounts in thousands of euros			
Outstanding, vested ²	1,857	3,598	3,426
Outstanding, unvested ³	872	11,197	5,889
Awarded during financial year ⁴	1,457	17,205	8,704
Paid out ⁵	878	11,313	10,819
Reduced amount through performance adjustment (holdback and clawback) ⁶	0	0	0

1 Equity is valued at the opening stock price on 31 December 2021, being €12.26.

2 The amounts of outstanding deferred equity of awards to (previous) Identified Staff that vested in 2021.

3 The amounts of unvested deferred equity awarded in financial year 2021.

4 The amounts of deferred remuneration (cash and equity) awarded during the financial year 2021.

5 Payments in 2021 of deferred cash and equity of awards to (previous) Identified Staff.

6 In 2021, holdback and/or clawback has been applied to zero Identified Staff.