

Nationale-Nederlanden Bank N.V.

Application of the Banking Code by Nationale-Nederlanden Bank 2016

Legal & Compliance NN Bank

Abstract:

This document contains a description of the way Nationale-Nederlanden Bank complies with the Banking Code Internet pages

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Introduction

The Banking Code was introduced in 2010 as a form of self-regulation by the Netherlands Bankers' Association in order to commit member banks to and to account for treating their customers with care while balancing the interests of their various stakeholders. The code has played a significant role since its introduction. Many of its principles on the Supervisory Board, the Management Board, risk management, audit and remuneration policy have since been incorporated into legislation. In 2015, the 2010 Banking Code was replaced by a new and updated Banking Code which is in effect today.

Nationale-Nederlanden Bank N.V. (hereinafter: 'NN Bank') is a member of the Netherlands Bankers' Association and endorses the Banking Code principles. As part of NN Group N.V. (hereinafter: 'NN Group'), NN Bank has taken the NN Group context into account, when applying the principles of the Banking Code. In this Booklet, Nationale-Nederlanden Bank reports on application of the Banking Code in 2016.

Controlled and ethical conduct of business

BANKING CODE

To build and maintain its position as a stable and reliable partner, a bank must formulate its mission, strategy and objectives. These focus on the long term and are expressed in part in the bank's risk policy and the policy for sustainability and corporate social responsibility. A bank chooses its position such that its commercial interests and social role are extensions of each other. This is also expressed in the bank's governance structure and guides the implementation of its policy based on its mission, strategy and objectives.

NN Bank's purpose is to help retail customers create and secure their financial future in a sustainable way. We want to help them to manage and protect their assets and income through mortgage loans, (internet) savings, bank annuities, consumer lending and investments services. In addition, NN Bank also provides mortgage portfolio administration and management services to

a number of NN group companies and to ING Bank (former WestlandUtrecht Bank).

To fulfil NN Bank's purpose, NN Bank embraces the NN statement of Living Our Values, which sets the standard for conduct and provides a compass for decision making. The statement comprises three core values: care, clear and commit. These values guide, unite and inspire in the day-to-day work. Every NN Bank employee is responsible and accountable for living up to these values.

NN Bank's strategy is to deliver an excellent customer experience, based on transparent products and service and long-term relationships. NN Bank offers the customers value for money and an experience that is straight forward, personal and caring. NN Bank creates transparent, easy-to-understand products, and empowers its customers with the knowledge and tools they need to make sound financial decisions.

2016 initiatives that focused on providing efficient and flawless service included:

- For its retail investments services, personal loan and 'Aanvullend PensioenSparen' (supplementary pension savings) products, NN Bank introduced online application processes in 2016
- NN Bank extended digital tooling and self-service processes, providing customers with insight and options to make adjustments to their products. Examples include 'Mijn Hypotheekaanvraag' (my mortgage application) and the mortgage interest rate averaging tool.
- More products have become available in the personal digital channel (mijn.nn.nl), as well as the mobile channel (NN app), including retail investments services, bank annuities, personal loans and revolving credit
- NN Bank realised a higher level of automation and straight-through processing, resulting in reduced handling time and less rework. Examples include the new platform for our retail investments services and the interest rate renewal process.

For an excellent customer experience, on top of smooth customer processes, it is essential to know each customer and act accordingly. In order to be more personal and relevant in every customer contact, NN Bank:

- Launched a personalised welcome programme for new customers, welcoming them as new customer and introducing NN through topics specifically relevant to them based on insights among others from customer segmentation
- Developed a content marketing strategy helping NN to reach both customers and prospects with customised content for specific customer needs, demonstrating NN Bank's ambition to be a helpful and relevant financial service provider to its customers
- Introduced a divorce package service: a partnership with independent divorce experts helping with the financial, fiscal and legal complexities when faced with a divorce. The aim is to work towards a clear and workable set of agreements, providing a new financial perspective for both ex-partners involved.

To ensure that the voice of the customer is heard in the organisation, NN Bank strives to actively involve customers in many ways. For almost all customer processes, customer feedback is collected on an on-going basis. Continuous improvement teams analyse customer feedback, define required improvements and implement them. Customer driven design which is based on customer interviews as well as beta testing is an integral part of our new product development process, working towards the best fit with customer needs in an iterative process.

In order to ensure it can meet its shareholders expectations NN Bank maintains a strong balance sheet to be sufficiently capitalised at all times. NN Bank maintains a low risk profile, based on the nature of its assets, which mainly consist of prime, high quality, residential mortgages. It is well capitalised due to the size and composition of its capital. Reference is also made to the risk policy paragraph below.

NN Bank, as member of the NN Group, provides specific disclosure on its contributions towards several sustainability principles through the 2016 GRI Index table Progress reports to the Principles for Sustainable Insurance and the UN Global Compact of NN Group (which can be downloaded on <https://www.nn-group.com/Investors/2016-Annual-Report-1.htm>). This document contains the GRI Index table and the NN progress reports to the Principles for Sustainable Insurance and to the United Nations Global Compact. These reports serve as a reference to the relevant pages in NN Group's 2016 Annual Review, 2016 Financial Report and the corporate website. It is aimed at all

stakeholders of NN and, more specifically, customers, employees, shareholders, investors, rating agencies and NGOs.

At NN Bank we strive to help people in financial distress, so they can stay in their own homes as long as reasonably possible. We redefined our policies from a customer centric point of view, including grace periods, interest holidays, budget coaching and the use of early warnings to get in touch with our customers in the most early stage of their distress. Personal and mortgage restructuring advice can be offered free of charge to customers in distress.

NN credit card continued its partnership with the Dutch charity LINDA foundation; for every transaction made with the NN credit card, NN donates EUR 0.10 to help families in financial distress.

In terms of financial education, several NN Bank employees visited primary schools in the 'Week van het Geld', providing guest lessons on money and risks. Also, employees of NN Bank participated in an initiative to train secondary school students for future job interviews.

The governance and control structure for NN Bank is founded on the following principles:

- The embedding of a governance and policy framework, guidelines and procedures based on the 'Three lines of Defence' control model
- A first line with a Management Board, with support committees authorised to establish policies, set limits and organise checks and balances within the strategic mandate of NN Group
- A second line through an independent risk management function responsible for implementing an adequate framework for risk and control policy, directly anchored in the Management Board via the Chief Risk Officer (CRO).
- As well as an independent Legal and Compliance function of which the Head reports directly to the Chief Executive Officer (CEO) and functionally to the NN Group General Counsel and NN Group Chief Compliance Officer.
- A fully independent third line: Corporate Audit Services
- Our Supervisory Board supervises the policy of the Management Board and the general course of events in the company

In order to preclude potential legal sanctions, financial losses and reputational damage, the policy guidelines of NN Bank are regularly reviewed and adjusted to the changing situation. Each policy area has an owner who is responsible for establishing and maintaining the specific policy guidelines within the policy area concerned. In the specific policy guidelines, attention is also paid to how they relate to the relevant NN Group policies.

BANKING CODE

The Management Board and Supervisory Board are – with due regard to their individual tasks and authorities – responsible for setting up a sound governance structure and compliance with the governance principles. The members of these boards will set an example to all of the bank’s employees and exhibit this in their day-to-day activities. The Supervisory Board will evaluate the way the members of the Management Board are setting an example each year.

BANKING CODE

The Management Board and Supervisory Board are – with due regard for each other’s duties and powers–responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of the bank. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the Management Board and Supervisory Board.

NN Bank has a two-tiered board system, consisting of a Supervisory Board and a Management Board. The Supervisory Board supervises the policy of the Management Board and the general course of events in the company and assists the Management Board by providing advice. The Management Board is responsible for the daily management of the company.

NN Bank aims to have an appropriate and balanced composition of the Management Board and Supervisory Board of NN Bank (‘Boards’). Thereto, every year, the Supervisory Board assesses the composition and the functioning of the Boards as well as the functioning of the individual members of the Boards.

The Management Board has delegated a number of activities to specific committees within NN Bank. These committees have an advisory role to the Management Board or have been granted delegated authority. Most of the committees are chaired by a member of the Management Board and have one or more member(s) of the Management Board as a member. The Management Board remains ultimately responsible for policy regarding, and management of, all NN Bank’s risks.

All employees of NN Bank took the Banking Oath and adhere to the Disciplinary Law. For new employees an ongoing program is in place for them to take the oath when starting at NN Bank. NN Bank embraces the NN Statement of Living Our Values, in which we make a promise to our customers about how we work. The values are based on the company’s roots, heritage and common purpose: we care, we commit and we are clear.

All individual employees of NN Bank must observe the NN Group General Code of Conduct and the NN statement of Living our Values. All staff received an awareness training in light of the introduction of the new NN Group General Code of Conduct. The Code provides employees with a comprehensive set of principles and rules that guide employees in their day-to-day operations. To comply with the Code of Conduct is a necessity to ensure that NN acts with a high level of integrity, in accordance with external regulation and in the interest of our clients. The training focused on raising awareness on the required behaviour of staff in relation to these principles and regulations.

NN Bank expects exemplary behaviour from its entire staff, irrespective of their job function. Needless to say, effective business contacts, both within and outside NN, are to be based on honesty, integrity and fairness. NN Group’s General Code of Conduct also includes a whistle-blower procedure. This procedure ensures anonymity when reporting irregularities, including violations of laws and regulations.

The three lines of defence model on which NN Bank's risk management structure and governance, as well as the IT structure is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Management Board, ratified by the Supervisory Board, and that it is consistent with the risk appetite of NN Group:

- First line of defence: NN Bank Business Management has primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their business
- Second line of defence: The CRO steers a functional independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risk. An independent Legal & Compliance department.
- Third line of defence: Corporate Audit Services (CAS) offers an independent assessment of the standard of internal control with respect to NN Bank's business and support processes, including governance, risk management and internal controls

NN Bank has an independent compliance function. The compliance function supports and advises the Board on how to comply with the relevant compliance-related laws, regulations, internal policy, procedures, customer suitability and other ethical standards, and ensures that this is done. The department reports to the CEO. The Compliance department can issue reports to the Supervisory Board at request or on its own account. Furthermore, the head of Legal & Compliance participates as member of the following mandated committees of NN Bank: Non-Financial Risk Committee, Crisis Steering Committee, Product Approval & Review Committee and the Disclosure Committee and acts as secretary to the Supervisory Board.

BANKING CODE

The Management Board will promote responsible behaviour and a healthy culture both at the top of the bank and throughout its organisation. In this, it will consider the interests of the bank's customers and other stakeholders. The Supervisory Board supervises this.

The NN Group corporate values form a key component in NN Bank's approach towards customer centricity. NN Bank focuses on delivering a personal, relevant and digital customer experience. In order to do so, customer process redesign, digitalisation and innovation remain key for NN Bank.

In order to promote responsible behaviour and a healthy culture, several initiatives were taken:

- Proposals for the meeting of the Board of Directors should show that customers and other stakeholders interests have been taken into account, confirm that it is consistent with the letter and intent of the NN Statement of Living our Values and how it contributes to the NN Bank strategic themes
- All Management Board and members of the Management Team have a KPI regarding the engagement scores of employees and the aspect "working together"
- All employees were stimulated to have a KPI regarding "working together", to emphasize the importance of good cooperation and to improve it
- Trainings were organised for managers to coach them to improve the way they communicate and how to translate the NN Bank strategy for their departments and teams
- One-pagers (so called "praatplaten") were developed to explain the strategy and to give quarterly updates in a simplified way

BANKING CODE

A bank's culture must also express the assumptions in the Social Charter of the Dutch Banking Association. These must be embedded in the bank's organisation and the bank will include them in its contacts with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Charter.

The principles of the Social Charter have been secured in the NN Bank organisation and NN Bank also engages them in contacts with its stakeholders:

- **Offering choices to customers:** NN Bank offers various products to its customers: mortgages, savings products, bank annuity savings products, investments services and consumer lending products. The broad range of products and, where applicable, product features, allow our customers to make choices on what suits best for their individual situation. NN Bank distributes its products and services to customers in a multichannel way; through partnership with an extensive independent broker network, NN Bank's own financial and mortgage advisors, our call centres and our online channel. The latter is becoming increasingly important for providing effective access in an efficient way, matching customer expectations. In 2016, NN Bank started with selling the bank annuity savings product (APS) via the direct channel on its website. The website, nn.nl, is visited by around 1 million visitors per month. In 2016, the personal online environment, mijnnn.nl, was extended by a number of tools and insight possibilities making it more user-friendly. NN Bank also improved the functionalities of the NN app to meet customer demand for online and mobile connectivity. The app has been downloaded almost 62,500 times. By the end of 2016, NN had around 84,400 social media followers.
- **Banks are trustworthy, serviceable and transparent:** NN Bank offers transparent products and services which are subject to a rigorous Product Approval and Review Process (PARP). All communication towards customers is subject to a separate Communications Approval Process (CAP). In both the PARP and CAP various departments including Compliance and Legal, are represented to make sure that the products and communication are easy to understand, transparent and comply with Wft (Financial Supervision Act) regulations.
- **Bank employees show integrity, professional behaviour and expertise:** NN Bank implemented the Banking Oath and Disciplinary Law. In addition, new employees are being screened and need to have a certificate of good conduct. NN Bank makes sure that employees maintain and update the needed expertise and knowledge. For example, sales and call personnel follow mandatory training and the Management Board and the Supervisory Board attend permanent education programmes for board members. Furthermore, several initiatives were taken to promote desired behaviour such as the 'Living our Values'-programme.
- **From a social responsibility perspective, banks contribute to a sustainable economy:** At NN Group, we are committed to improving people's financial well-being, and to responsibly managing the assets entrusted to us by our customers, as well as our own assets. We aim to be a positive force in the lives of our customers. We believe this also includes taking responsibility for the well-being of the broader society and supporting the communities in which we operate. NN contributes to the broader society through investment in our local communities, purchasing goods and services from local suppliers and managing our direct environmental footprint. Our values guide us in fulfilling our role as a good corporate citizen. Embedding a sustainable role in society remains an important priority in NN's core activities and processes. This entails, amongst other things, offering products and services that are suitable, transparent and contribute to the financial well-being of our customers. At NN Bank, we strive to help people in financial distress, so they can stay in their own homes as long as reasonably possible. We redefined our policies from a customer-centric point of view, including grace periods, interest holidays, budget coaching and the use of early warnings to get in touch with our customers in the earliest stage of their difficulty. Free personal and mortgage restructuring advice can be offered to customers in difficulty. In terms of financial education, several NN Bank employees visited primary schools in the 'Week van het Geld' (Money Week), providing a guest lesson on money and risks. Furthermore, employees participated in a JINC initiative about managing a job application process. This year NN also organised several 'theme months' in the Nationale-Nederlanden DE Café (for example: Reach your goals, Innovation

Café and the Entrepreneur Café), where a variety of (free-of-charge) workshops were held.

BANKING CODE

All employees will comply with the formal regulations and self-regulations that apply to them. The Management Board and the Supervisory Board are – with due regard for each other’s duties and powers – responsible for this. The Management Board is responsible for employees being and remaining familiar with all rules, values and standards applicable to the bank and will continue to pay attention to this. The Supervisory Board supervises this.

Good compliance helps us to live up to our purpose, our strategy and our values because it builds trust and protects our brand. It helps us to meet our compliance obligations and to protect NN from loss or reputational damage. It improves the way we do business for our stakeholders. It is vital for sustainable business and it is our license to operate.

NN Bank employees must comply to all relevant laws, regulations and self-regulations that apply to NN Bank as a result of our banking license and the activities we undertake thereunder.

Also there are many NN Group Policies and Standards with which NN Bank employees must not only be familiar, but must also comply to. Part of these Policies and Standards are compliance related, such as competition law, outside positions or financial economic crime, but others relate to a range of other topics, like (non-exhaustive) fraud, IT, financial accounting, information security, cyber security, model risk modelling and model validation, risk reporting, asset and liability management, human resources, brand management, business continuity and outsourcing.

A basic and elementary understanding of the necessity of such laws, rules, values and standards that apply to banks must be present at entry levels for anyone to be hired by the bank. And for more specialised functions within the bank, candidates must show to have the necessary education and experience, which includes basic knowledge of the laws, rules, values and standards that are part of one’s profession and job-function. HR

recruitment and selection is therefore a strong tool for management to create favourable conditions in order to realise compliance with all applicable laws and company Policies and Standards.

In their day to day management it is the senior management of NN Bank, steered by the Management Board, who take the necessary decisions and set priorities to enable each employee to familiarize himself with the Policies and Standards, to undertake mandatory permanent education, and to work with process that have due regard to the laws, rules and standards. We apply learning on the job, supervision of junior staff by senior staff, key control testing, four eyes controls, team meetings, e-learning, information and training sessions, and budget to follow external trainings or seminars.

Furthermore second line of defence functions are involved by developing fit-for-purpose local policies and guidance. They are also involved in explaining the laws, rules, values and standards to management and employees. On occasion they provide training or give input to training materials developed by others.

Supervisory Board

BANKING CODE

The Supervisory Board will be composed in such a way that it is able to perform its task properly. It will form a risk committee and an audit committee. The members of the Supervisory Board will be prepared and able to make sufficient time available for their duties and exhibit effort and commitment. They will at the same time be critical and independent.

The members are sufficiently available and accessible to perform their tasks properly. The Supervisory Board members have proven to be quickly available for consultation if needed.

NN Bank aims to have an appropriate and balanced composition of the Supervisory Board. Thereto, every year, the Supervisory Board assesses the composition of the Supervisory Board and its individual members. An element that contributes to the balanced composition

of the Supervisory Board is related to the fact that the Supervisory Board is composed of independent or outside members, as well as members having other functions within NN Group.

NN Bank does not have a separate risk committee nor a separate audit committee. The activities of an audit committee are performed by the Supervisory Board as a whole. In 2016, these activities included discussions about the quarterly results, the reports of the internal audit committee of NN Bank and regulatory matters. The Long Term Forecast, the funding plan and the capital plan were also topics of debate during the year. The activities of the Supervisory Board as audit committee also include discussions about the Annual Report of NN Bank, reports from Corporate Audit Services NN Group (CAS NN Group), financial reporting and internal controls over financial reporting.

At each meeting of the Supervisory Board, the financial risk and the non-financial risk reports were discussed in detail, as well as the risk appetite statements. Annually, the ICAAP and ILAAP (including stress test scenarios) are discussed.

BANKING CODE

Each member of the Supervisory Board will be aware of the social role of a bank and of the interests of the various stakeholders. There are specific competence and requirements for members of the Supervisory Board's risk and audit committees. Members of the risk committee must have thorough knowledge of the financial aspects of risk management or the necessary experience to permit a thorough assessment of risks. Members of the audit committee must have thorough knowledge of financial reporting, internal control and audit or the necessary experience to permit thorough supervision of these subjects.

This principle is reflected in the charter of the Supervisory Board and in the 'Profielschets Raad van Commissarissen Nationale-Nederlanden Bank N.V.' (Profile of the Supervisory Board Nationale-Nederlanden Bank NV).

All members have the expertise to fulfil their role and are aware of the social context in which NN Bank operates.

In performing their duty, the Supervisory Board balances the interests of NN Bank and its various stakeholders (including NN Bank's customers and employees). The members of the Supervisory Board combined, have sufficient expertise and experience to permit a thorough assessment of risks, as well as in-depth knowledge of financial reporting, internal control and audit.

BANKING CODE

The chairman of the Supervisory Board will organise a programme of lifelong learning for all members of the Supervisory Board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and the financial sector, corporate governance in general and in the financial sector in particular, to the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the Supervisory Board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong training will be part of the annual evaluation performed by the Supervisory Board.

This principle is reflected in the charter of the Supervisory Board.

The members of the Management Board and the members of the Supervisory Board take part in the same programme for continuing training.

In 2016 the members of the Supervisory Board followed a programme of continuing training. The programme was partly organized by NN Group and partly by NN Bank. The following topics were covered: integrated reporting & materiality assessment, the duty of care for customers and integrity, accounting changes (IFRS 4 and 9), financial trends: follow up on impact of Solvency II & potential implications on NN products and balance sheet, cloud computing, developments in the Dutch housing and mortgage market and innovation.

Furthermore, several individual members followed trainings on an individual basis during the year.

BANKING CODE

In addition to the Supervisory Board's annual self-evaluation, the functioning of the Supervisory Board will be evaluated under independent supervision once every three years. The involvement of each member of the Supervisory Board, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Management Board will be part of this evaluation.

Every year, the Supervisory Board assesses the composition and the functioning of the Supervisory Board and the Management Board as well as the functioning of the individual members of both Boards. This year the Supervisory Board performed its own evaluation.

BANKING CODE

Each member of the Supervisory Board will receive appropriate compensation for the amount of time that he or she spends on Supervisory Board activities. This compensation will not depend on the bank's results.

The charter of the Supervisory Board reflects this principle.

In 2016, only the chairman of the supervisory board received a remuneration for his duties. The remuneration is not dependent on the results of NN Bank.

Board of Directors

BANKING CODE

The Management Board will be composed in such a way that it is able to perform its tasks properly. Each member of the Management Board will be aware of the social role of a bank and of the interests of the various stakeholders.

This principle is reflected in the charter of the Management Board. The Management Board is composed in such a way that it is able to perform its tasks properly. The Management Board strives for general agreement among its Members in its decision making.

NN Bank has an experienced Management Board, the members of which have a deep understanding of financial sector and banking in particular. They have a strong view on the role of the bank in society and the interests of all the relevant stakeholders of the bank and share their views both internally and externally.

A Management Team supports the Management Board in its task. Furthermore, the Management Board has set up several committees to which certain tasks are delegated. These committees have an advisory role to the Management Board or have been granted delegated authority. Most of the committees are chaired by a member of the Management Board and have one or more member(s) of the Management Board as a member. The Management Board remains ultimately responsible for policy regarding, and management of, all NN Bank's risks.

BANKING CODE

One member of the Management Board will have the duty of preparing decision-making by the Management Board on risk management. This member will be involved in good time in the preparation of decisions that are material significance for the bank's risk profile, especially where these decisions may result in a departure from the risk appetite approved of by the Supervisory Board. The member may combine his or her function with other responsibilities, provided that he or she does not bear any individual commercial responsibility and operates independently from commercial areas.

Risk management will also include a focus on the impact that systemic risk could have on the bank's risk profile.

This principle is reflected in the charter of the Management Board.

NN Bank has a Chief Risk Officer (CRO). The CRO bears primary overall responsibility for the risk management function. The CRO is responsible for the management and control of risk on a consolidated level to ensure that NN Bank's risk profile is consistent with its financial resources and risk appetite.

The CRO is also responsible for establishing and maintaining a robust organisational basis for the management of risk throughout the organisation. The CRO in the Management Board does not combine her role with any other commercial focus area.

Risk management considers the importance of financial stability and the impact that systemic risk may have on the risk profile of NN Bank, e.g. through among others stress test scenarios that incorporate systemic risk for recovery planning purposes

BANKING CODE

The chairman of the Management Board will organise a programme of lifelong learning for all members of the Management Board with the aim of maintaining their expertise at the required level and improving it where necessary. The learning programme will in any event cover relevant developments at the bank and the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. Every member of the Management Board will take part in the programme and meet the requirements for lifelong learning.

This principle is reflected in the charter of the Management Board.

In 2016 the members of the Management Board followed a programme of continuing training. The programme was partly organized by NN Group and partly by NN Bank. The following topics were covered: integrated reporting & materiality assessment, the duty of care for customers and integrity, accounting changes (IFRS 4 and 9), financial trends: follow up on impact of Solvency II & potential implications on NN products and balance sheet, cloud computing, developments in the Dutch housing and mortgage market and innovation.

Furthermore, several individual members followed trainings on an individual basis during the year.

Risk policy

BANKING CODE

A bank's risk policy is characterised by a comprehensive approach, is transparent and has both a short- and long-term focus. The risk policy also takes reputational risks and non-financial risks into account.

NN Bank has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Financial (credit, market and business risks) and non-financial risks (operational, compliance, legal and related second order reputation risks) are monitored. Through its risk management practices, NN Bank seeks to meet its obligations to customers and creditors, manage its capital efficiently, and comply with applicable laws and regulations. NN Bank's approach to risk management is based on the following components:

- Risk management structure and governance systems. NN Bank's risk management structure and governance systems follow the 'three lines of defence' model, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN Bank's risk management.
- Risk management framework. NN Bank's risk management framework takes into account the relevant elements of risk management, including its integration into NN Bank's strategic planning cycle, the management information generated, and a granular risk assessment.
- Risk management policies, standards and processes. NN Bank has a comprehensive set of risk management policies, standards and processes, which are updated regularly to align with market leading practices, applicable laws and regulations, and to changes in NN Bank's business and risk profile. These risk management policies, standards and processes apply throughout NN Bank and are used by NN Bank to establish, define, and evaluate NN Bank's risk tolerance levels and risk control processes. They also ensure that the tolerance levels and policies are communicated throughout the organisational structure.

NN Bank's Risk Management Framework comprises a series of sequential steps, through which NN Bank seeks to identify, measure and manage the risks to which it is exposed.

- Objective setting. Business planning and priority-setting is undertaken through an annual long term forecast (LTF) process, which is aligned with NN Bank's internal capital adequacy assessment process (ICAAP) and liquidity adequacy assessment process (ILAAP). These processes regulate risk appetite and provide input that helps to steer strategic direction. NN Bank establishes strategic objectives. Those strategic objectives are used to establish and define NN Bank's risk appetite, which consist of quantitative and qualitative statements defining those risks NN Bank wishes to acquire, to avoid, to retain and/or to remove.
- Event identification. NN Bank identifies events that may potentially impact its risk position, recognising that uncertainties exist, and that NN Bank cannot know with certainty which events will occur and when, or what the outcome or impact would be if they did occur. As part of event identification, NN Bank considers both external and internal factors that affect event occurrence. External factors include economic, business, natural environment, political, demographic, social and technological factors. Internal factors reflect NN Bank's choices and concern such matters as infrastructure, personnel, process and technology.
- Risk assessment. NN Bank considers how events identified in the previous step might affect the achievement of its strategic objectives. Key risks are assessed on a regular basis and, where appropriate, this analysis is supported by models. NN Bank conducts regular assessments of its key risks.
- Risk response and control. Once a risk is assessed, NN Bank identifies potential responses to those risks and analyses the mitigating impact of those responses. Taking into account the risk tolerances set out in the Risk Appetite Framework, NN Bank designs its response for each assessed risk. Risk and control activities are performed throughout NN Bank.
- Information and communication. Communication of information is a key part of NN Bank's risk management framework. Risk management officers, departments, and committees within NN Bank are informed regularly of NN Bank's position compared

to its strategic objectives and its risk appetite to enable them to monitor developments and to take timely appropriate decisions. Comprehensive reports on NN Bank's financial and non-financial risks are prepared and discussed on a monthly basis.

- Monitoring. The effectiveness of NN Bank's risk management itself is also monitored. Regular monitoring ensures that risk management is maintained within NN Bank and is carried out by all three lines of defence.

BANKING CODE

A bank's Management Board will be responsible for its risk policy and ensure proper risk management.

This principle is reflected in the charter of the Management Board.

The Management Board determined the risk profile, risk appetite and risk policy. The risk profile and corresponding appetite was approved by the Supervisory Board. At each regular meeting of the Supervisory Board, the financial risk and the non-financial risk reports were discussed in detail, as well as the Risk Appetite Statements. During the December meeting, the Supervisory board discussed more in depth the Compliance and Legal risks with the head of Legal & Compliance. The recovery plan, ICAAP and ILAAP (including the stress test scenarios) are discussed annually.

Furthermore, the principle is embedded in the risk policies and the processes within NN Bank. NN Bank has various risk committees in place that periodically meet and where risks are addressed:

- The Non-Financial Risk Committee
- The Asset Liability Committee
- The Credit Risk Committee

The Management Board has delegated its authority to the various committees, in which members of the Management Board also participate.

Issues, that have such a material impact on the risk profile that they are beyond the mandate of the risk committees, are discussed and decided upon in the Management Board.

BANKING CODE

The Management Board will propose the risk appetite to the Supervisory Board for approval at least once a year. Any material changes to the risk appetite in the interim will also require the Supervisory Board's approval.

This principle is reflected in the charter of the Management Board.

The Management Board determined the risk profile, risk appetite and risk policy. The risk profile and corresponding appetite was approved by the Supervisory Board. At each regular meeting of the Supervisory Board, the financial risk and the non-financial risk reports were discussed in detail, as well as the Risk Appetite Statements. The recovery plan, ICAAP and ILAAP (including the stress test scenarios) are discussed annually.

BANKING CODE

The Supervisory Board will supervise the risk policy pursued by the Executive Board. As part of its supervision, the Supervisory Board will discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with the bank's risk appetite. In the performance of this supervisory role, the Supervisory Board will be advised by its risk committee.

This principle is reflected in the charter of the Supervisory Board.

The Management Board determined the risk profile, risk appetite and risk policy. The risk profile and corresponding appetite was approved by the Supervisory Board. At each regular meeting of the Supervisory Board, the financial risk and the non-financial risk reports were discussed in detail, as well as the Risk Appetite Statements. Part of the discussion is a comparison of the actual risk profile versus the approved risk appetite. Also in each meeting updates of

the Capital, Funding and Liquidity Plans are discussed. The recovery plan, ICAAP and ILAAP (including the stress test scenarios) are discussed annually.

Audit

BANKING CODE

A bank’s Management Board will ensure systematic audit is conducted of the management of the risks related to the bank’s operations. To this end, a bank will have its own internal audit department with an independent position within the bank. The head of the internal audit department will report to the chairman of the Management Board and also have a direct reporting line to the chairman of the Supervisory Board’s audit committee.

NN Bank makes use of the internal audit function of NN Group. CAS NN Group is independently positioned within the organisation. CAS NN Group staff report to the General Manager of CAS NN Group, who reports directly to the chairman of the Management Board of NN Group and functionally to the Supervisory Board of NN Group. Respective audits for NN Bank specific are also reported to the Management Board and the Supervisory Board of NN Bank.

CAS NN Group prepares a yearly risk based audit plan which is discussed with the Management Board of NN Group and the Audit Committee of the Supervisory Board of NN Group prior to its finalisation. The realisation of the plan, both in process of execution as in findings, is periodically discussed with and reported to these bodies. Results of respective audits are discussed with the Management Board of NN Group and the Audit Committee of the Supervisory Board of NN Group on an individual basis when so escalated and on aggregated level via quarterly reporting.

The yearly risk based audit plan for NN Bank specific is also discussed with the Management Board and the Supervisory Board of NN Bank prior to its finalisation. CAS NN Group informs the Supervisory Board of NN Bank on its progress regarding the audit plan, key audit findings and changes to the audit plan. Results of respective audits for NN Bank specific are also reported

to the Management Board and the Supervisory Board of NN Bank.

BANKING CODE

The internal audit department, external auditor and Supervisory Board’s audit committee will consult periodically.

NN Bank makes use of the internal audit function of NN Group. CAS NN Group prepares and discusses its risk analysis and audit plan with the Management Board of NN Bank, the Supervisory Board of NN Bank, the external auditor and with the regulator DNB. Subsequently, CAS NN Group exchanges periodically information between these stakeholders in order to update its risk analysis and audit plan (at least quarterly).

Furthermore, CAS NN Group is present in meetings of the Management Board and the Supervisory Board, when external auditor subjects are discussed.

After having discussed with CAS NN Group, the external auditor issues annually a management letter and auditor’s report to the Management Board and the Supervisory Board of NN Bank, which may include relevant findings relating to governance, risk management and control.

BANKING CODE

The internal audit department will take the initiative in arranging talks with DNB (the Dutch central bank) and the external auditor at least once a year to discuss each other’s risk analyses, findings and audit plans at an early stage. The bank’s Management Board and the internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other’s duties and responsibilities.

The internal audit department will take the initiative in arranging talks with DNB and the external auditor at least once a year to discuss each other’s risk analyses, findings and audit plans at an early stage. The bank’s Management Board and the internal audit department

will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.

There is at a minimum one meeting per year on NN Bank level between DNB, the external auditor and CAS NN Group arranged by CAS NN Group. These meetings focus on sharing and discussing risk assessments, the audit plan, CAS NN Group reports, external auditor's management letter and in-depth discussion on selected topics.

Remuneration Policy

BANKING CODE

The bank will implement a detailed, restrained and long-term remuneration policy that is unambiguous and transparent and in line with national and international regulations. The remuneration policy will have primarily long-term focus and be in line with the bank's risk policy. It will incorporate an internal and external balance of interests, taking into account the expectations of the various stakeholders and social acceptance. It will also take the relevant international context into account.

The remuneration policies of Nationale-Nederlanden, which are also applicable to NN Bank, take into account all applicable regulations and codes. The NN Group Remuneration Framework strikes a balance between the interests of its customers, employees, shareholder and society at large, and supports the long-term objectives of the company.

The general principles underpinning the NN Group Remuneration Framework are as follows:

- (i) The remuneration policies and the NN Group Remuneration Framework are aligned with NN Group's business strategy, objectives, values and risk appetite
- (ii) The remuneration policies and the NN Group Remuneration Framework support a focus on
 - (a) the long term interests of NN Group and its shareholders and
 - (b) the interests of NN Group's

customers and other stakeholders in order to ensure a strong risk alignment by all NN Group staff

- (iii) The remuneration policies and the NN Group Remuneration Framework will promote robust and effective risk management and support a strong focus on risk-control and protection of a sound capital base
- (iv) The remuneration policies and the NN Group Remuneration Framework aim to sustainably attract, motivate and retain staff
- (v) The NN Group Remuneration Framework and the remuneration policies aim to avoid improper treatment of customers and employees
- (vi) The NN Group Remuneration Framework and the remuneration policies comply with and support the spirit of the (inter)national regulations on remuneration policies
- (vii) Variable remuneration is adequately linked to NN Group's and business unit's financial performance as well as to team and individual performance
- (viii) Variable remuneration shall only be awarded or paid (including payment of variable remuneration that was deferred) if (i) this reconciles with the financial situation of NN Group and (ii) this is justified on the basis of the performance of NN Group, the relevant business unit, team and the individual performance of the staff member
- (ix) Variable remuneration is neither paid through vehicles nor are methods employed which aim to artificially evade laws and regulations
- (x) Employees will not obtain financial or non-financial remuneration that exceed the applicable levels of maximum remuneration within NN Group
- (xi) All remuneration policies are properly documented in writing

The NN Group Remuneration Framework has been approved by the Supervisory Board of NN Group in June 2015. In January 2017, the Supervisory Board approved a revised version of the NN Group Remuneration Framework. The NN Group Remuneration Framework has been applicable since 1 January 2015. Both the

Executive Board and Supervisory Board of NN Group are committed to ensure that the execution of the remuneration policies within NN Group continues to be in line with the principles set out above. The Supervisory Board of NN Bank is informed of the NN Group evaluation and remuneration processes. This principle is reflected in the Charter of the Executive Board of NN Group and in the Charter of the Supervisory Board of NN Group. For more information, refer to the Annual Report 2016 of NN Group.

BANKING CODE

The total income of a member of a bank's Management Board will at the time it is set be below the median for comparable positions inside and outside the financial industry, taking into account the relevant international context. The variable remuneration of a member of the Management Board will be set in accordance with national and international regulations.

NN annually reviews the remuneration of NN Bank's Management Board; the remuneration is reviewed, among others, against benchmark data of financial and non-financial companies based in the Netherlands and/or Europe as provided by different benchmark providers. NN strives to set the remuneration at or below the market median. However, on an individual level compensation can be above the market median due to previous roles and seniority. Taking into account last year's and this year's benchmark data, generally remuneration of the Management Board lies around or slightly above median level (taking into account base salary and total compensation including variable remuneration). Variable remuneration for the Management Board is set in accordance with the NN Group Remuneration Framework and is aligned with national and international legislation/guidelines on (the payment of variable) remuneration.