

Application of the Banking Code

Legal & Compliance NN Bank

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Abstract

This document contains a description of the way Nationale-Nederlanden Bank complies with the Banking Code and is the basis for the publication about compliance with the Banking Code on the Nationale-Nederlanden Bank Internet pages.

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1 Introduction

On September 9, 2009, the 'Nederlandse Vereniging van Banken' (NVB or Dutch Banking Association) has adopted the 'Code Banken' (Banking Code). The Banking Code came into force on January 1, 2010 and is applicable to all banks having a banking license granted under the 'Wet financieel toezicht' (Wft; Act on Financial Supervision).

The Banking Code lays out the principles for Dutch banks in terms of corporate governance, risk management, audit and remuneration. Compliance with the Banking Code is monitored by an independent Monitoring Committee.

On June 1, 2010, the Banking Code has been designated as code of conduct by means of 'Algemene Maatregel van Bestuur' (General Administrative Rule) within the meaning of Article 2:391, paragraph 5 of the 'Burgerlijk Wetboek (BW; Dutch Civil Code), with retroactive effect to January 1, 2010. This means that reporting on how a bank applies the Banking Code principles is a legal requirement.

Nationale-Nederlanden Bank N.V. (hereinafter: 'Nationale-Nederlanden Bank') has a banking license and is a member of the NVB. It endorses the Banking Code principles. As part of NN Group N.V. (hereinafter: 'NN Group'), Nationale-Nederlanden 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 2014. In 2014 the NVB has issued a new Banking Code. This new Code Banken is applicable as of the year 2015. This Report is thus based on the Code applicable for the year 2014.

2 Supervisory Board Nationale-Nederlanden Bank

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
2	Supervisory Board	
2.1	Composition and expertise	
2.11 and 2.12	<p>The supervisory board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board, independence and diversity are preconditions for the supervisory board to perform its tasks properly.</p> <p>The supervisory board shall have a sufficient number of members to properly perform its function, including in its committees. The appropriate number of members depends on the nature, size and complexity of the bank.</p>	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Supervisory Board of Nationale-Nederlanden Bank (hereinafter: the 'Supervisory Board') reflects this principle.</p> <p>In 2014 the members of the Supervisory Board were:</p> <ul style="list-style-type: none"> – Hein Blocks, former Board member of Generale Bank Nederland, former Director Nederlandse Vereniging van Banken, former Director a.i. of the KiFiD and former president and member of the executive board of the European Banking Federation – (until May 1, 2014) John Boers, vice-president and until October 31, 2013 Head of ING Insurance Investments and from November 1, 2013 Head Corporate Operational Risk Management NN Group – (As from May 1, 2014) Chanh Huynh Cong, former CFO of ING Banking activities (including Real-Estate and Direct activities) – Delfin Rueda, CFO NN Group – Doug Caldwell, CRO NN Group – (As from August 22, 2014) David Knibbe, CEO NN Netherlands & Global IT <p>The composition of the Supervisory Board allows the Supervisory Board to fulfill its tasks properly. The Supervisory Board acts as a collegial body. While decisions are formally taken by majority, the board in principle acts on a consensus basis.</p> <p>Based on the nature, scale and complexity of Nationale-Nederlanden Bank, ultimo 2014 the Supervisory Board has five members. Nationale-Nederlanden Bank considers this number sufficient for the Supervisory Board to exercise its function.</p>
2.13 and 2.14	<p>The members of the supervisory board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank. The supervisory board shall carefully consider the interests of all parties involved in the bank, such as the bank's clients, its shareholders and its employees. Each member of the supervisory board shall be capable of assessing the main aspects of the bank's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member of the supervisory board shall also possess the specific expertise needed to perform his or her role in the supervisory board. To this end, whenever a vacancy arises on the supervisory board, an individual profile shall be drawn up for the new member of the board.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board and in the 'Profiel van de Raad van Commissarissen Nationale-Nederlanden Bank N.V.' (Profile of the Supervisory Board Nationale-Nederlanden Bank NV).</p> <p>All members have the expertise to fulfill their role.</p>
2.15	<p>As part of the process to fill the vacancy of chairman of the supervisory board, an individual profile shall be drawn up that also focuses on the bank's requirements in terms of expertise and experience in relation to the financial sector and familiarity with the socio-economic and political culture and the social environment of the bank's main markets.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>There has been no vacancy in 2014.</p>
2.16	<p>Each member of the supervisory board – the chairman in particular – shall be sufficiently available and contactable to properly perform his or her tasks in the supervisory board and the supervisory board's committees.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>The members are sufficiently available and accessible to perform their tasks properly.</p> <p>The Supervisory Board members have proven to be quickly available for consultation if needed.</p>

2 Supervisory Board Nationale-Nederlanden Bank – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
2.17	Each member of the supervisory board shall receive suitable compensation for the amount of time that he or she spends on supervisory board activities. This compensation shall not depend on the bank's results.	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Supervisory Board reflects this principle.</p> <p>The chairman of the supervisory board and one other (non-NN) member receive a remuneration for their duties. The remuneration is not dependent on the results of Nationale-Nederlanden Bank.</p>
2.18	The chairman of the supervisory board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the supervisory board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits. Every member of the supervisory board shall take part in the programme and meet the requirements of lifelong learning.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>In order to maintain the expertise of the Supervisory Board and to improve their expertise where needed, a Permanent Education program for the Supervisory Board is in place. As part of the annual self-assessment Supervisory Board members may request further training or education on specific topics which are implemented in the Permanent Education program.</p> <p>In 2014 the Permanent Education program covered amongst others Consequences 'Prinsjesdag', Market Risk Management interest rate risk and value of savings and economic capital, personal data protection and change and innovation.</p> <p>Each year the PE meetings are determined and tailored to the needs of the Supervisory Board. The subjects relate to topics addressed in the Banking Code but are not limited to these topics.</p>
2.19	The assessment of the effectiveness of the lifelong learning referred to in principle 2.18 shall be part of the annual evaluation performed by the supervisory board.	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Supervisory Board reflects this principle.</p> <p>The Supervisory Board has evaluated the Permanent Education program as part of its yearly self-assessment.</p>
2.110	In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board shall 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 executive board shall be part of this evaluation.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>Given the start of the new organization of Nationale-Nederlanden Bank in July 2013 the evaluation under independent supervision has not yet taken place.</p>
2.2 Tasks and working methods		
2.21	As part of its supervisory tasks, the supervisory board shall pay special attention to the bank's risk management. All discussions about risk management shall be prepared by a risk committee or a similar committee, which committee shall be appointed by the supervisory board from its ranks for this purpose.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>Because of its size, the Supervisory Board did not set up a separate risk committee. Risk management is discussed by the Supervisory Board as a whole.</p>
2.2.2	Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.	<p>Nationale-Nederlanden Bank applies this principle. Considering the size of the Supervisory Board, no separate risk committee and audit committee have been installed. The 'Profielschets Raad van Commissarissen Nationale-Nederlanden Bank N.V.' (profile of the Supervisory Board Nationale-Nederlanden Bank NV) addresses the required expertise needed for a proper functioning of the Supervisory Board. The Supervisory Board meets the specific requirements regarding competence and experience.</p>

3 Executive Board Nationale-Nederlanden Bank

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
3	Executive Board	
3.1	Composition and expertise	
3.1.1	The executive board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board and diversity are preconditions for the executive board to perform its tasks properly.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the management board of Nationale-Nederlanden Bank (hereinafter: 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 unanimity in its decisions.</p> <p>In 2014 the members of the Management Board were:</p> <ul style="list-style-type: none"> – Erik Muetstege, CEO – Sandra van Eijk, CFO – Monique Hemerijck, CRO – Sjaak de Graaf, COO
3.1.2	Each member of the executive board shall possess a thorough knowledge of the financial sector in general and the banking sector in particular. Each member of the executive board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank. In addition, each member of the executive board shall possess thorough knowledge so that he or she is able to assess and determine the main aspects of the bank's overall policy and then form a balanced and independent opinion about the risks involved.	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Management Board reflects this principle.</p> <p>Nationale-Nederlanden 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.</p>
3.1.3	The chairman of the executive board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the executive board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>The members of the Management Board and the members of the Supervisory Board take part in the same program for permanent education.</p> <p>In 2014 the Permanent Education program covered amongst others Consequences 'Prinsjesdag', Market Risk Management interest rate risk and value of savings and economic capital, personal data protection and change and innovation.</p> <p>All Management Board Members had access to the NIBE-SVV Executive app. This app caters for permanent education needs through interactive content on developments in the financial markets in the broadest sense.</p>
3.1.4	Every member of the executive board shall take part in the programme referred to in 3.1.3 and meet the requirements of lifelong learning. They have to satisfy this condition in order to sit on the executive board. The supervisory board shall ascertain whether the members of the executive board continue to fulfil the expertise requirements developed by De Nederlandsche Bank [the Dutch central bank].	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>The Supervisory Board has ascertained in the annual evaluation of the Management Board on December 17, 2014 that this principle is adhered to.</p>
3.1.5	Each year, the bank shall indicate in its annual report in what manner it implemented principles 3.1.3 and 3.1.4.	By means of this publication Nationale-Nederlanden Bank reports on the implementation of principles 3.1.3 and 3.1.4 on a yearly basis.
3.1.6	Taking into account the risk appetite approved by the supervisory board, the executive board shall ensure a balanced assessment between the commercial interests of the bank and the risks to be taken.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>The Management Board determines the desired risk profile, the corresponding risk appetite and risk policies.</p>

3 Executive Board Nationale-Nederlanden Bank – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
3.1.7	<p>Within the executive board one member shall be responsible for preparing the decision-making with regard to risk management. This member of the executive board shall be involved, in a timely manner, in the preparation of decisions that are of material significance for the bank as regards the risk profile, especially where these decisions may result in departure from the risk appetite approved by the supervisory board. Risk management shall also include a focus on the interests of financial stability and on the impact that systemic risk could have on the risk profile of the bank.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>Nationale-Nederlanden 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 Nationale-Nederlanden Bank's risk profile is consistent with its financial resources and risk appetite.</p> <p>The CRO is also responsible for establishing and maintaining a robust organizational basis for the management of risk throughout the organization. The CRO in the Management Board does not combine her role with any other commercial focus areas.</p> <p>The risk framework of Nationale-Nederlanden Bank is based on the concept of the 'three lines of defense'. This ensures that risk is managed in line with the risk appetite as defined by the Management Board and approved by the Supervisory Board.</p> <p>Risk management considers the importance of financial stability and the impact that systemic risk may have on the risk profile of Nationale-Nederlanden Bank. The CRO is closely involved in risk matters and decisions that may have a material impact on Nationale-Nederlanden Bank.</p>
3.1.8	<p>In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board shall 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 executive board shall be part of this evaluation.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>One of the Nationale-Nederlanden Bank Management Board members is responsible for Risk. This member does not combine her role with any other commercial focus area.</p>
<h3>3.2 Tasks and working methods</h3>		
3.2.1	<p>In all of its actions, the bank's executive board shall ensure that it carefully considers the interests of all of the parties involved in the bank, such as the bank's clients, its shareholders and its employees. These considerations shall take into account the continuity of the bank, the environment in society in which the bank operates and legislation, regulations and codes that apply to the bank.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>The Management Board is aware of this principle and acts accordingly. In addition, this is included in the banking oath.</p> <p>More details about the attention for stakeholder management can be found in the publication 'Application of the Insurers' Code by NN Group' and in NN Group's Sustainability Report.</p>

3 Executive Board Nationale-Nederlanden Bank – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
3.2.2	<p>Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.</p>	<p>Nationale-Nederlanden Bank applies this principle. The duty of care for clients is embedded in (i) the policies and procedures of NN Group (of which Nationale-Nederlanden Bank is part) and of Nationale-Nederlanden Bank; and (ii) in the communication and marketing documentation.</p> <p>Nationale-Nederlanden Bank recognizes that customer focus is an ongoing process requiring continuous attention. Nationale-Nederlanden Bank is strongly committed to ensure that the duty of care for clients is fully embedded in its corporate culture.</p> <p>Customer care is reflected in the NN Group statement of Living Our Values and the "Oranje Klantregels" (Orange Customer Rules) of Nationale-Nederlanden which are also applied by Nationale-Nederlanden Bank. In addition, this principle is included in the so called banking oath. All members of the Management Board and the Supervisory Board took the so-called banking oath which mirrors the text of the Moral and Ethical Conduct Statement as referred to in the Banking Code.</p> <p>The banking oath has been signed by all members of the Management Board and the Supervisory Board without modification. The Enabling Life Strategy of NN Bank in combination with the Orange Customer Rules are the foundation of how we approach our customers. Our work revolves around people and trust. We consider it a great responsibility to manage other people's money. A responsibility that we take very seriously. By implementing our Enabling Life strategy and adhering to the Orange Customer Rules, we protect the interests of our customers and the reputation and image of Nationale-Nederlanden Bank.</p> <p>These are the Orange Customer Rules:</p> <ol style="list-style-type: none"> 1 Nationale-Nederlanden strives to meet customer's needs throughout their life cycle. 2 Nationale-Nederlanden offers fair value to customers. 3 Nationale-Nederlanden explains the risks, returns and costs of our products and services. 4 Nationale-Nederlanden regularly assesses products, services and sales practices. 5 Nationale-Nederlanden only works with professional and licensed distributors. <p>The Orange Customer Rules are included in the product approval process of Nationale-Nederlanden Bank (PAR) process. This to ensure that all products and commercial communications of Nationale-Nederlanden Bank are tested for compliance with the Orange Customer Rules before being launched on the market. Within Nationale-Nederlanden Bank a separate PAR committee has been established.</p>
3.2.3	<p>The members of the executive board shall perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct and regulations. Each member of the executive board shall sign a moral and ethical conduct declaration. A declaration has been included in the explanatory notes to this code. This declaration is a model declaration, which means that each bank can supplement it as it deems appropriate.</p>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>In addition, this principle is included in the so called banking oath. All members of the Management Board and Supervisory Board took the so-called banking oath which mirrors the text of the Moral and Ethical Conduct declaration as referred to in the Banking Code. The banking oath has been signed by all members of the Management Board and the Supervisory Board without modification.</p>

3 Executive Board Nationale-Nederlanden Bank – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
3.2.4	<p>The executive board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behaviour of all of the bank's employees. The content of these principles shall be expressly pointed out to every new employee of the bank when he or she joins the bank by inserting a reference to these principles in the new employee's contract of employment. Every new employee shall be required to comply with these principles.</p>	<p>Nationale-Nederlanden Bank applies this principle. Nationale-Nederlanden Bank is part of NN Group and uses the NN Group statement of Living Our Values covers all aspects of the Moral and Ethical Conduct statement prescribed by the Banking Code.</p> <p>Specific reference to the NN Group statement of Living Our Values is being included in the Dutch employee contracts. The Management Team and the Management Board Members have, in their strategic plans for 2014 included a focus on employee behavior. Nationale-Nederlanden Bank's strategy named Enabling Life includes clear elements of what kind of focus and behavior is expected from the employee vis-à-vis client centricity.</p> <p>All Management Board members and Supervisory Board members took the so called banking oath.</p>

4 Risk Management

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
4	Risk Management	
4.1	The executive board – and primarily the chairman of the executive board – shall be responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank's overall risk policy. The executive board shall 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 shall also require the supervisory board's approval.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>The Management Board determined the risk profile, risk appetite and risk policy.</p> <p>The risk profile and corresponding appetite was approved by the Supervisory Board on August 7, 2014. The risk profile is a standard subject on the agenda of the Supervisory Board meetings as part of the Risk-report. In 2014, the risk profile was discussed on March 27, June 24, September 30 and December 17.</p>
4.2	The supervisory board shall supervise the risk policy pursued by the executive board. As part of their supervision, the supervisory board shall discuss the bank's risk profile and assess at a strategic level whether capital allocation and liquidity impact in the general sense are in line with the approved risk appetite. In the performance of this supervisory role, the supervisory board shall be advised by the risk committee formed from the ranks of the supervisory board for this purpose.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>The risk profile is discussed by the Supervisory Board on a quarterly basis. Part of the discussion is a comparison of the actual risk profile versus the approved risk appetite. In 2014, the risk profile has been approved by the Supervisory Board and</p>
4.3	The supervisory board shall assess periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of the bank's risk appetite. The executive board shall provide the supervisory board with the relevant information for this assessment in such a way that the supervisory board is able to form a sound opinion.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>On a quarterly basis the Supervisory Board discusses and assesses whether the commercial activities of Nationale-Nederlanden Bank are appropriate in the context of the risk appetite of Nationale-Nederlanden Bank.</p>
4.4	The executive board shall ensure that risk management is arranged adequately so that the executive board is aware in good time of any material risks run by the bank so that these risks can be managed properly. The executive board shall take any decisions that are of material significance for the risk profile, the capital allocation or the liquidity impact.	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board.</p> <p>The principle is embedded in the risk policies and the processes within Nationale-Nederlanden Bank. Nationale-Nederlanden Bank has various risk committees in place that periodically meet and where risks are addressed:</p> <ul style="list-style-type: none"> – the Non-Financial Risk Committee (minimum on a quarterly basis) – the Asset Liability Committee (monthly) – the Credit Risk Committee (monthly) <p>The Management Board has delegated its authority to the various committees, in which members of the Management Board also participate.</p> <p>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 or by individual board members participating in the risk committees.</p>
4.5	Every bank shall have a Product Approval Process. The executive board shall organise the product approval process and shall be responsible for the process working properly. Products that go through the product approval process at the bank shall not be launched on the market or distributed without careful consideration of the risks by the bank's risk manager and a careful assessment of any other relevant factors, including the duty of care towards the client. Based on an annual risk analysis, the in-house auditor shall check whether the product approval process has been designed properly, is present and is working effectively and shall then inform the executive board and the relevant supervisory board committee (risk committee or similar committee) about the results.	<p>Nationale-Nederlanden Bank applies this principle.</p> <p>All products go through the Product Approval and Review (PAR) process. The Management Board of Nationale-Nederlanden Bank is responsible for the proper implementation and functioning of the PAR process. A separate PAR committee has been established. In the PAR process all new products and all communication and advertising materials are, amongst others, reviewed by Legal, Compliance, Risk management and Finance. Not only compliance with laws and regulations is considered but also whether the envisaged products are in the interest of the customer.</p> <p>The PAR process is subject to operational audits by Corporate Audit Services NN Group. The audit activities are determined on the basis of a risk analysis.</p>

5 Audits

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
5	Audits	
5.1	The executive board shall ensure that a systematic audit is conducted of the management of the risks related to the bank's business activities.	<p>Nationale-Nederlanden Bank applies this principle. Nationale-Nederlanden Bank makes use of the internal audit function of NN Group.</p> <p>NN Group has an internal audit function – Corporate Audit Services NN Group (CAS NN Group) – that 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 finalization. The realization 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.</p> <p>The yearly risk based audit plan for Nationale-Nederlanden Bank specific is also discussed with the Management Board and the Supervisory Board of Nationale-Nederlanden Bank prior to its finalization. Results of respective audits for Nationale-Nederlanden Bank specific are also reported to the Management Board and the Supervisory Board of Nationale-Nederlanden Bank.</p> <p>In the CAS NN Group Charter, the Charter of the NN Group Management Board and the Charter of the Audit Committee of the Supervisory Board of NN Group, this principle is described.</p>
5.2	Each bank shall have its own, internal auditor who shall occupy an independent position within the bank. The head of the internal audit team shall present a report to the chairman of the executive board and shall report to the chairman of the audit committee.	<p>Nationale-Nederlanden Bank applies this principle. Nationale-Nederlanden Bank makes use of the internal audit function of NN Group. CAS NN Group is independently positioned within the organization. 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 Nationale-Nederlanden Bank specific are also reported to the Management Board and the Supervisory Board of Nationale-Nederlanden Bank.</p>
5.3	The internal auditor shall have the task of assessing whether the internal control measures have been designed properly, are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk management and the bank's control procedures. The internal auditor shall report the findings to the executive board and the audit committee.	<p>Nationale-Nederlanden Bank applies this principle. Nationale-Nederlanden Bank makes use of the internal audit function of NN Group.</p> <p>The CAS NN Group Charter defines its mandate and states that both design and operating effectiveness of internal controls should be assessed. This assessment includes the quality and effectiveness of the system of governance, risk management and the bank's control procedures. CAS NN Group reports the findings and the overall level of control to, among others, the Management Board and the Audit Committee of NN Group on a quarterly basis.</p> <p>The findings and overall level of control on Nationale-Nederlanden Bank specific are reported to amongst others the Management Board and Supervisory Board of Nationale-Nederlanden Bank.</p>

5 Audits – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
5.4	The internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee shall consult periodically, including as regards the risk analysis and the audit plan of both the internal auditor and the external auditor.	<p>Nationale-Nederlanden Bank applies this principle.</p> <p>Nationale-Nederlanden 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 Group, the Audit Committee of the Supervisory Board of NN Group, the external auditor and with the lead regulator De Nederlandsche Bank as well as other relevant in- and external stakeholders. Subsequently, CAS NN Group exchanges periodically information between these stakeholders in order to update its risk analysis and audit plan (at least quarterly).</p> <p>Furthermore, CAS NN Group is present in NN Group meetings of the Management Board and the Supervisory Board, when external auditor subjects are discussed.</p> <p>The yearly risk analysis and audit plan for Nationale-Nederlanden Bank specific are discussed with the Management Board and the Supervisory Board of Nationale-Nederlanden Bank and the external auditor of Nationale-Nederlanden Bank.</p>
5.5	As part of the general audit assignment for the financial statements, the external auditor shall produce a report for the executive board and the supervisory board which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the bank's control procedures.	<p>Nationale-Nederlanden Bank applies this principle.</p> <p>The external auditor issues a management letter and audit report annually to the Management Board and the Supervisory Board of Nationale-Nederlanden Bank, which may include relevant findings relating to governance, risk management and control.</p> <p>CAS NN Group and the external auditor exchange information with regard to risk assessments and audit plan. CAS NN Group shares all its audit reports with the external auditor.</p>
5.6	The internal auditor shall take the initiative in arranging talks with De Nederlandsche Bank and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage.	<p>Nationale-Nederlanden Bank applies this principle. There is at a minimum one meeting per year on Nationale-Nederlanden Bank level between De Nederlandsche Bank, 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.</p>

6 Remuneration Policy

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
6	Remuneration Policy	
6.1	Basis	
6.1.1	<p>The bank shall implement a meticulous, restrained and long-term remuneration policy that is in line with its strategy and risk appetite, objectives and values, taking into account the long-term interests of the bank, the relevant international context and wider societal acceptance. The supervisory board and the executive board shall take this basis into account when performing their tasks in relation to the remuneration policy.</p>	<p>Nationale-Nederlanden Bank applies this principle. The remuneration policies of Nationale-Nederlanden take into account all applicable regulations and codes. The NN Group Remuneration Framework strikes a balance between interests of its customers, employees, shareholder and society at large, and supports the long-term objective of the company.</p> <p>The general principles underpinning the NN Group Remuneration Framework are as follows:</p> <ul style="list-style-type: none"> – Enhance focus on the long term interest of NN Group and the interests of customers – Align with company values, business strategy and risk appetite – Promote and aligned with robust and effective risk management – Create a balanced compensation mix with a reduced emphasis on variable compensation – Claw back and hold back arrangements – Attract and retain talented personnel <p>The variable remuneration is linked to clear targets of which a large part non-financial.</p> <p>The latest NN Group Remuneration Framework has been approved by the Supervisory Board of NN Group in October 2013. This version of the Remuneration Framework has been applicable since 1 January 2014.</p> <p>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. Both the Executive Board and Supervisory Board are committed to ensure that the execution of the Remuneration policy continues to be in line with the criteria set out in this principle as well as with other applicable regulations.</p> <p>For more information, refer to the Annual Report 2014 of NN Group.</p>
6.2	Governance	
6.2.1	<p>a The supervisory board shall be responsible for the implementation and evaluation of the remuneration policy adopted with regard to the members of the executive board.</p>	<p>As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework.</p> <p>The Supervisory Board NN Group has approved the NN Group Remuneration Framework which includes the remuneration policy for senior management and the general remuneration principles for all staff.</p> <p>The Supervisory Board of NN Group annually reviews the NN Group Remuneration Framework as well as the enforcement thereof. The NN Group Remuneration Framework includes provisions with regard to claw back, hold back, severance payments and retention payments. The Supervisory Board of NN Group reviews material retention payments, exit and welcome packages, to assess that these are consistent with the NN Group Remuneration Framework and to ensure that these are not excessive.</p> <p>This principle is reflected in the Charter of the Supervisory Board of NN Group and in the NN Group Remuneration Framework.</p> <p>For more information, refer to the Annual Report 2014 of NN Group.</p>
	<p>b The supervisory board also approves the remuneration policy for the senior management and oversees its implementation by the executive board.</p>	Refer to 6.2.1.a
	<p>c Additionally, the supervisory board approves the principles of the remuneration policy for other bank employees.</p>	Refer to 6.2.1.a
	<p>d The bank's remuneration policy shall also comprise the policy on awarding retention, exit and welcome packages.</p>	Refer to 6.2.1.a

6 Remuneration Policy – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
6.2.2	a The supervisory board shall annually discuss the highest variable incomes at the bank.	<p>The Supervisory Board of NN Bank is not involved in this process. As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework. According to this Framework, the approval from the Supervisory Board of NN Group is required for Management Board proposals and for high earner proposals.</p> <p>The Supervisory Board of NN Group annually discusses the assessment by the Executive Board whether variable incomes are consistent with the NN Group Remuneration Framework and the applicable provisions of the Insurer's Code, with special attention to the highest variable incomes. This is part of NN Group's annual compensation review.</p>
	b The supervisory board shall ensure that the executive board assesses whether variable incomes are consistent with the remuneration policy adopted by the bank, and in particular whether they comply with the principles set out in this section.	Refer to 6.2.2.a
	c Furthermore, the supervisory board shall discuss material retention, exit and welcome packages, assess whether they are consistent with the remuneration policy adopted by the bank and ensure that these packages are not excessive.	Refer to 6.2.2.a
6.3 Remuneration of members of the executive board		
6.3.1	The total income of a member of the executive board shall be in reasonable proportion to the remuneration policy adopted by the bank. At the time when his or her total income is decided, it shall be slightly below the median level for comparable positions in the relevant markets both inside and outside the financial sector. The relevant international context shall be a major factor.	As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework. This Framework reflects this principle. The remuneration of the Management Board of Nationale-Nederlanden Bank is in line with the NN Group Remuneration Framework.
6.3.2	In the event of dismissal, remuneration may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for an executive board member who is dismissed during his or her first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.	Nationale-Nederlanden Bank applies this principle. The remuneration policy that applies to the Management Board of Nationale-Nederlanden Bank fully complies with the criteria as laid down in this principle.
6.3.3	When variable remuneration is awarded to the executive board, the long-term component shall be taken into account as well as profitability and/or continuity of the bank and a material part of the variable remuneration shall be conditional and shall not be paid until at least three years have passed.	<p>Nationale-Nederlanden Bank applies this principle. As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework. The performance targets of the members of the Management Board of Nationale-Nederlanden Bank reflect the focus on the long term interest and continuity of the company. The variable compensation for members of the Nationale-Nederlanden Bank Management Board is conditional upon meeting performance targets.</p> <p>At least 40% of the variable remuneration is long-term focussed. All cash and shares offered as part of the long-term component are subject to a three year tiered vesting schedule.</p> <p>50% of the upfront and deferred variable remuneration is paid in shares. The upfront shares are subject to a one year retention period. The deferred shares will not be paid until a three year tiered vesting period has been completed after which a one year retention period follows.</p>

6 Remuneration Policy – continued

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
6.3.4	Shares granted to executive board members without financial consideration shall be retained for a period of at least five years or at least until the end of the employment, if this period is shorter. If options are granted, they shall, in any event, not be exercised in the first three years after the date on which they were awarded.	<p>Nationale-Nederlanden Bank applies this principle. As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework that is applicable to all senior management. Pursuant to the NN Group Remuneration Framework, upfront shares are subject to a one year retention period after the date of award; deferred shares are subject to a tiered three year vesting period followed by a one year retention period (except for the members of the Management Board NN Group for whom a five years retention period applies after the date of award of the upfront shares).</p> <p>There are no options granted by NN Group.</p>
6.4 Variable remuneration		
6.4.1	The allocation of variable remuneration shall be related to the bank's long-term objectives.	Nationale-Nederlanden Bank applies this principle. As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework. Variable remuneration is determined by performance objectives which include long-term objectives. In addition a significant part of the variable compensation for the Nationale-Nederlanden Bank Management Board is long-term in nature.
6.4.2	Every bank shall set a maximum ratio of variable remuneration to fixed salary that is appropriate for the bank in question. The variable remuneration per annum of members of the executive board shall not exceed 100% of the member's fixed income.	<p>Nationale-Nederlanden Bank applies this principle. The variable remuneration per annum of members of the Nationale-Nederlanden Bank Management Board does not exceed 100% of the fixed income.</p> <p>For the remainder of the organization, a maximum ratio for fixed and variable remuneration is applicable (1:4).</p> <p>For the vast majority of the employees the Collective Labour Agreement is applicable. For these employees, the ratio lies significantly below the 1:1 ratio.</p>
6.4.3	Variable remuneration shall be based on the performances of the individual, his part of the business and the performance of the bank as a whole according to pre-determined and assessable performance criteria. In addition to financial performance criteria, non-financial performance criteria shall also make up a significant portion of the assessment of the individual. Performance criteria shall be defined in terms that are as objective as possible in the bank's remuneration policy.	Nationale-Nederlanden Bank applies this principle. At least 40% of the Performance objectives for the members of the Management Board are non-financial and include employee engagement, customer satisfaction and corporate responsibility. This principle is also included in the general principles included in the NN Group Remuneration Framework applicable to all staff.
6.4.4	When performances are assessed based on the pre-determined performance criteria, financial performances shall be adjusted to allow for estimated risks and capital costs.	Nationale-Nederlanden Bank applies this principle. As a subsidiary of NN Group, Nationale-Nederlanden Bank is in scope of the NN Group Remuneration Framework. Employees' individual performances are being assessed based on pre-determined performance criteria. In the assessments of the performance objectives of the members of the Management Board, risk management at NN Group level gives input that can only lead to a downward adjustment of the remuneration. Amongst others, this entails assessing whether certain risk limits were breached to an unacceptable level. Next to this, ex ante risk and capital adjustments may be made to the variable remuneration pool, in accordance with NN Group's risk appetite framework.
6.4.5	In exceptional circumstances – for example, if application of the pre-determined performance criteria would result in undesired variable remuneration for a member of the executive board – the supervisory board shall have the discretionary power to adjust the variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects.	Nationale-Nederlanden Bank applies this principle. This principle is reflected in the Charter of the Executive Board and the Charter of the Supervisory Board of NN Group.
6.4.6	The supervisory board shall be authorised to reclaim variable remuneration allocated to a member of the executive board based on inaccurate data (whether or not the inaccurate data is financial in nature).	Nationale-Nederlanden Bank applies this principle. This principle is reflected in the Charter of the Executive Board of NN Group and the Charter of the Supervisory Board of NN Group. The Supervisory Board of NN Bank is not involved in this process.