

Application of the Banking Code by Nationale- Nederlanden Bank 2018

Nationale-Nederlanden Bank N.V.

Legal & Compliance NN Bank

Abstract:

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

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Banking Code

Introduction

On 9 September 2009, the Dutch Banking Association, Nederlandse Vereniging van Banken (NVB), adopted the Banking Code ('Code'), which came into force on 1 January 2010. The Code is a form of self-regulation which aims at committing member banks to treat their customers with care while balancing the interests of their various stakeholders. The Code applies to all banks with a banking license granted under the Dutch Financial Supervision Act (Wft).

On 1 June 2010, the Code was designated as a code of conduct by way of a governmental decree as defined in Article 2:391, paragraph 5 of the Dutch Civil Code, with retroactive effect from 1 January 2010. Therefore reporting on how a bank applies the principles of the Banking Code is a legal requirement.

The Code has played a significant role since its introduction. Many of its principles regarding the Supervisory Board, the Management Board, risk management, audit and remuneration policy have since been incorporated into legislation.

In 2014 the NVB issued a new Banking Code, which came into force in 2015.

Each year, Nationale-Nederlanden Bank N.V. (hereinafter: 'NN Bank'), member of the Netherlands Bankers' Association, provides a detailed overview of how it applies the Banking Code. This Application of Banking Code also explains the progress the bank is making with applying the principles and offers specific examples of the bank's compliance. If necessary, the bank may provide a substantiated explanation of why a particular principle may not have been applied, either partly or in full ('comply or explain').

The Banking Code can be downloaded from the NVB website (www.nvb.nl).

1 Sound and ethical conduct of business

1.1 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 complied with the principles as stated above.

NN Bank values to have a good relationship with its stakeholders. NN Bank therefore sets objectives to create sustainable value for its stakeholders, i.e. its customers, employees, shareholders and society at large.

NN Bank wants to help people secure their financial futures based on great service and long-term relationships. The bank offers its customers value for money and an experience that is straightforward, personal and caring. It creates transparent, easy-to-understand products, and empowers its customers with the knowledge and tools they need to make sound financial decisions.

In addition, NN Bank aims to be personal and relevant in every customer contact. The bank strives to create an excellent experience in which the customer feels recognised and understood. In 2018, NN Bank offered customers and brokers a better and more relevant service by redesigning the bank's services through customer journey research. With this qualitative research method, NN Bank designed these services together with customers and brokers, to make sure that the bank's services meet their needs. For example, the bank improved the cooperation with the notary by customer journey research on the mortgage process. This resulted in improved cooperation, communication and processes between NN Bank and the notary and prevents delays for the customer.

For NN Bank, offering an excellent customer experience means providing customers with efficient and flawless services. In 2018, this included:

- Introduction and expansion of the Quality Lane for mortgage applications
- Introduction of a new construction deposit process for mortgages. For example, NN Bank offers customers the possibility to submit declarations via the NN app.
- NN Bank applies an interest rate pricing system for mortgage loans based on risk-based pricing with multiple risk premium categories, whereby the interest rate for a mortgage loan is (among other factors) set depending on the loan-to-valuation (LTV) ratio
- Improvement of the underwriting criteria for mortgages
- NN Bank improved the digital customer experience by restructuring and redesigning web pages and improving communication based on customer feedback. NN Bank introduced 'iDEAL' in the online savings channel in the Netherlands. iDEAL is an e-commerce payment system used in the Netherlands, based on online banking. This payment method allows customers to buy on the Internet using direct online transfers from their bank account.
- NN Bank improved the digital customer journey by making it easier for customers to identify themselves by an obligatory payment

All the efforts in 2018 have improved NN Bank's customers' experience and led to an increase in the Net Promoter Score (NPS) from +6,7 (2017) to +8,4 (2018).

NN Bank is further committed to delivering products and services that are easy to understand and meet the customers' lifetime needs. They are built in a standardised, modular way, with flexible features tailored to the needs of individual customers.

In 2018, NN Bank introduced three new mortgage propositions, servicing specific target groups:

- NN Bank introduced 'The Senior Citizens Residence mortgage' for elderly
- The bank introduced the 'Expatriate Mortgage' for expats who want to settle in the Netherlands
- At the end of 2018, the 'Buy to let Mortgage' was introduced for retail customers who want to buy a house for rental purposes

NN Bank introduced several pilots for the investment product 'Beheerd Beleggen'. For example, a pilot for millennials, a proposition for future parents who want to have a financial plan

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for their child and a proposition for wealthy customers who already have an investment product with a competitor. In 2018, NN Banks product 'Beheerd Beleggen' was rewarded with 'Best choice 2018' ('IEX Gouden Stier') in the category Online Discretionary Investments.

NN Bank has also an obligation to take responsibility for the well-being of society at large, and supporting the communities in which we operate. NN Bank therefore contributes to society by purchasing goods and services from local suppliers, as well as by managing its direct environmental footprint. NN Bank will continue to focus on improving people's financial well-being and managing the assets entrusted to it by its customers, as well as the bank's own assets, in a responsible way. This entails, amongst other things, offering products and services that are suitable, transparent and contribute to the financial well-being of our customers. For example the Senior Citizens Residence mortgage was introduced to stimulate flow in the housing market.

At NN Bank, we strive to help people in financial distress, so they can stay in their own homes as long as reasonably possible. In order to do so, we analyse the customer's situation to define where we can help best. This includes coaching and tools intended to generate more income, cut expenses, reduce monthly mortgage costs or a combination of these. Therefore NN Bank is involved in the coalition of creditors 'Schuldeiserscoalitie'. In this organisation large Dutch companies work together to fight poverty in the Netherlands. The participating companies conform to an ethical manifesto how to deal with customers with payments difficulties.

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.

In addition, the bank's employees have the opportunity to spend time on volunteer work e.g. LEF Coaching (coaching of people who need help to get a job).

NN Bank is organised in such a way that good management and effective supervision are guaranteed by the Management Board and the Supervisory Board and show that customers' and other stakeholders interests are taken into account. Integrity, transparency and accountability are the key elements of NN Bank's corporate governance and business activities. As such, NN Bank has provided effective risk management, complied with relevant laws and regulations and has been transparent in its dealings with stakeholders. The bank's strategy has been implemented by means of various initiatives, all based on a customer-centric approach. One example is the Product Approval and Review Process (PARP), which assessed products to ensure they are in our customers' best interests.

1.2 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.

NN Bank complied with the principles stated above.

NN Bank has a two-tier board system, consisting of a Supervisory Board and a Management Board. The Management Board determines the mission, strategy, policy and objectives of NN Bank and is responsible for realising it. The Management Board focuses on business continuity and, in its decision making, makes a balanced assessment of the interests of all stakeholders including customers, investors, employees and the shareholder. The Supervisory Board supervises the policy pursued by the Management Board, the Management Board's performance of its managerial duties and the company's general course of affairs, taking account of the interests of the company's stakeholder.

NN Bank interacts actively with regulatory bodies, government representatives and peers on relevant developments with respect to corporate governance. Rules and regulations applicable to NN Bank are embedded in internal policies and procedures. The policies and procedures are published on the intranet for every staff member to consult.

NN Bank aims at having an appropriate and balanced composition of the Management Board and Supervisory Board of NN Bank ('Boards'). Thereto the Supervisory Board assessed the composition and the functioning of the Boards as well as the functioning of the individual members of the Boards at the end of 2018.

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 the risks NN Bank's runs.

1.3 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 complied with the principles as stated above.

Standards on integrity, morals and leadership

All NN Bank employees have taken the Banker's Oath, including the members of the Management and Supervisory Board. Every new employee has to take this oath when starting at NN Bank. NN Bank adheres to the NN statement of Living Our Values, in which the employees 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".

Furthermore all employees of NN Bank must observe the NN Group's General Code of Conduct and the NN Statement of Living our Values. 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

Banking Code Continued

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 staff. Business contacts, both within and outside NN, are 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.

As the bank's business centres further around people and trust, the bank can only maintain its stakeholders' confidence and preserve the bank's reputation by acting with professionalism, integrity and responsibility. Integrity is placed above all.

Within NN Bank it is regarded upon as being important to give each other feedback and to have open dialogues. If employees notice a misconduct of some sort by or within NN Bank they are foremost encouraged to raise their concern via the existing channels (e.g. immediate or next higher level manager or Human Resources department or Compliance Officer) and not keep it to themselves or ignore it. This will prevent impairment of NN Bank's integrity. NN Bank will not ignore, tolerate or excuse behaviour that breaches NN Bank's values. However, if employees feel unable or uncomfortable to raise concerns through the existing channels, the Whistle-blower channels provide means for employees to report concerns.

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 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

Safeguarding a solid IT infrastructure

Information Technology is vital for the functioning of the bank. NN Bank is committed to deliver a solid IT infrastructure, meaning that the delivery of services and data to our stakeholders, in terms of confidentiality, integrity and availability of the data and services at reasonable costs, is well-maintained and constantly improved for future needs and developments of our customers and other stakeholders. Therefore, NN Bank in 2018 continued putting enormous effort and attention in ensuring and improving the availability, security and resilience of its IT

infrastructure. This applies to perpetuating and improving the policies and standards, processes and way of working (Agile, DevOps, Continuous Delivery), craftsmanship of IT employees (cyber security, automating IT processes) and renewal of the applications and infrastructure (SaaS: Software as a Service), IaaS (Infrastructure as a Service)). This also entails that NN Bank calls its internal and external IT services suppliers to account in case of non-performance. The combination of efforts enabled us to improve the quality and agility of services delivered to our customers.

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.

1.4 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.

NN Bank complied with the principles as stated above.

NN Bank's operations touch many lives: customers, employees, shareholders, suppliers and society at large. The NN Group corporate values form the 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 be able to do so, customer process redesign, digitalisation and innovation remain key for NN Bank. Everyone dealing with NN Bank can, and should, expect NN Bank to act with integrity. Balancing the rights and interests of everyone involved is key to the bank's ongoing viability.

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

- One-pagers (so called "praatplaten") were used to explain the bank's strategy and to give clear quarterly updates. On the basis of these one-pagers, the CEO gave quarterly updates to employees.
- Hello You initiatives were taken regarding the further integration of Delta Lloyd Bank in order to communicate on a regular basis to employees about the plans in order to minimise the amount of uncertainty and to create engagement
- MT-members and/or senior employees are invited to blog about risk related topics, in order to create awareness
- Employees are interviewed on the intranet page about how they have taken care of an individual case and/or improvements of customer services

By these means the Management Board promotes responsible behaviour and a healthy culture throughout the bank. The Management Board made a balanced assessment of the

Banking Code Continued

relevant interests of the stakeholders of NN Bank, including its customers, employees and the society in which the bank performs its activities. When formulating the bank's strategy, customer centricity in particular was always a key focus area. Customer centricity forms an important part of the corporate culture programmes at NN Bank. Customer centricity means acting in the customers' best interests, which is not dissimilar to ensuring customer satisfaction. However, satisfying customers, i.e. giving them what they want, may not always be in their best interests.

1.5 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 contact with its stakeholders. It will provide an insight into the way in which the bank deals with the assumptions in the Social Charter.

NN Bank applies these principles.

Reliability, service orientation and transparency are crucial for NN Bank to reach its strategic goals. To properly represent its customers' interests and the interests of other stakeholders, employees NN Bank must act in an ethical and professional manner. As such, customer centricity formed an important part of the corporate culture programmes at NN Bank.

At NN Bank, people truly matter. We genuinely believe we can better serve our customers and achieve our business goals if our employees are encouraged to put their different talents, personalities and expertise to work. We know that we can only be the company we want to be if our people are skilled, motivated and energised by their work. Their personal success is our common success. This requires a culture that welcomes and respects all people, and focuses on empowerment and entrepreneurship.

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: care, clear, commit.

NN Bank stimulates all employees to work on their personal development plan. NN Bank invests in attracting young (potential) employees by offering students the opportunity to gain work experience and through the NN Group traineeship programme for talent.

NN Bank's ambition is to become more agile and to increasingly focus on customer-driven innovations. This requires engaged employees. NN Group has a new partner for employee engagement surveys, Peakon. NN Bank launched three Peakon-surveys in May, August and November.

On 1 January 2018, the integrated bank started. In the first half of 2018, former Delta Lloyd Bank employees moved from the Amsterdam offices to the NN offices in The Hague and Rotterdam. NN Bank organised several onboarding meetings to welcome the new colleagues.

Our role in society

At NN Bank, 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 society at large, and supporting the communities in which we operate.

NN Bank contributes to society by purchasing goods and services from local suppliers, as well as by managing our direct environmental footprint. Our values guide us in fulfilling our role as a good corporate citizen.

We are building a company that truly matters to our stakeholders. We take our role in society and our approach to sustainability very seriously. We will continue to focus on improving people's financial well-being and managing the assets entrusted to us by our customers, as well as our own assets, in a responsible way. 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. For example the Senior Citizens Residence mortgage was introduced to stimulate flow in the housing market.

At NN Bank, we strive to help people in financial distress, so they can stay in their own homes as long as reasonably possible. In order to do so, we analyse the customer's situation to define where we can help best. This includes coaching and tools intended to generate more income, cut expenses, reduce monthly mortgage costs or a combination of these.

NN Bank is therefore involved in the coalition of creditors 'Schuldeiserscoalitie'. In this organisation large Dutch companies work together to fight poverty in the Netherlands. The participating companies conform to an ethical manifesto how to deal with customers with payments difficulties.

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.

In addition, our employees have the opportunity to spend time on volunteer work e.g. LEF.

Cultural diversity of its employees is important to NN Bank, because it enables the bank to solve problems and respond to challenges in different ways. Diversity is good for business because different perspectives drive innovation, accelerate growth, and lead to more robust decisions and outcomes. Embracing diversity also increases the bank's pool of potential candidates. It helps to attract and retain the best and brightest talents and allows NN Bank to better understand different customer groups. It makes the bank more adaptable. NN Bank's workforce should reflect the diversity of its customer base and foster an inclusive culture. It is important that employees feel comfortable being themselves irrespective of who they are, what they believe or where they come from. The bank therefore promotes equal opportunities and has policies in place to ensure that discrimination is not tolerated.

1.6 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.

NN Bank complied with this principle.

Banking Code Continued

Various initiatives are in place to make every employee understand how their actions and behaviour may help to earn and retain customers' and stakeholders' trust. More specifically, all employees - as well as the members of the Management Board Banking and Supervisory Board - have taken the Banker's Oath. Rules, regulations, policies and procedures applicable to NN Bank can be found via NN Group's intranet.

By means of various communication channels and e-learning modules awareness, expectations and changes in internal rules and standards are being actively brought to the attention of NN Bank's employees.

NN Bank employees must first and foremost comply with 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. Good compliance helps the bank to live up to its purpose, strategy and values because it builds trust and protects our brand. It helps the bank to meet its compliance obligations and to protect NN Group from loss or reputational damage.

Additionally, every employee has a personal responsibility to be aware of the NN Group's Policies and Standards. Partly 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. Employees may report a suspicion of (potential) breaches of these regulations through the Whistleblower Policy, in addition to normal reporting lines.

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 intending to work for the bank. For 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 the right conditions to realise compliance with all applicable rules and regulations.

In their day to day management the senior management of NN Bank, steered by the Management Board, takes the necessary decisions and sets priorities to enable the bank's employee to get familiar with the applicable rules and regulations, to undertake mandatory permanent education, and to work with procedures that have due regard to the laws, rules and standards.

The second line of defence involves 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.

The internal audit function provides an on-going independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls of the first two lines, including financial and non-financial risk management and as such forms the third line of defence.

2 Supervisory Board

2.1 Composition and areas of expertise

2.1.1 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.

NN Bank partly complied with the principles as stated above.

The Supervisory Board presently consists of five members. The composition of the Supervisory Board of NN Bank allows the board to fulfil its tasks properly. The members are sufficiently available and accessible. 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. 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 members, as well as members occupying other functions within NN Group.

The Supervisory Board acts as a collegial body. While decisions are formally taken by majority, the board in principle acts on a consensus basis. Two members of the Supervisory Board meet the independence criteria as laid down in the Dutch Corporate Governance Code. Each year the Supervisory Board performs a self-assessment, which addresses among other items the composition of the Supervisory Board.

The members of the Supervisory Board of NN Bank are sufficiently available and accessible to fulfil their tasks. The availability of the members of the Supervisory Board is among others reflected in their attendance during the Supervisory Board meetings. In 2018 on average 90% of the Supervisory Board members were present at and participated in the Supervisory Board meetings.

In 2018, NN Bank did not have a separate risk committee and/or audit committee. The Supervisory Board, as a whole, performs the activities of an audit committee. In 2018, these activities included discussions about the quarterly results, the reports of the internal and external auditors and regulatory matters. The funding plan, liquidity 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, in- and external audit planning, in- and external audit reports, financial reporting and internal controls over financial reporting.

At the meetings 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 ICAAP and ILAAP (including stress test scenarios) were reviewed as well.

During the last meeting of the bank's Supervisory Board in 2018 the Supervisory Board decided to establish an Audit & Risk Committee in 2019.

Outside the meetings, discussions take place via e-mail or by phone if and when needed. Also, individual Supervisory Board

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members visit the NN Bank's offices upon request or on their own initiative.

The Supervisory Board members actively discuss, query and challenge proposals that are being put forward by the Management Board. If and when needed, the Supervisory Board members also ask for additional clarification or deep dives into certain topics.

2.1.2 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.

NN Bank complied with the principles as stated above.

This principle is reflected in the Charter of the Supervisory Board and in the Profile of the Supervisory Board Nationale-Nederlanden Bank N.V.

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.

2.1.3 and 2.1.4 BANKING CODE

The members of the Supervisory Board shall have a thorough knowledge of the bank's role in society and of the interests of all stakeholders. The Supervisory Board shall carefully consider the interests of all stakeholders, such as the bank's customers, 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 have the specific expertise needed to perform their role on 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.

NN Bank applied this principle, as reflected in the bank's Rules for the Supervisory Board and its appendices. All members had the expertise required to fulfil their role.

2.1.5 BANKING CODE

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.

NN Bank applied this principle, as reflected in the bank's Rules for the Supervisory Board and its appendices.

2.1.6 BANKING CODE

Each member of the Supervisory Board – the chairman in particular – shall be sufficiently available and accessible to properly perform their duties on the Supervisory Board and the Supervisory Board committees.

NN Bank applied this principle. The members are sufficiently available and accessible to properly perform their duties. The Supervisory Board members have proven to be quickly available for consultation if needed.

2.1.7 BANKING CODE

Each member of the Supervisory Board shall receive suitable compensation for the amount of time that they spend on Supervisory Board activities. This compensation shall not depend on the bank's results.

NN Bank applied this principle. The two independent members of the Supervisory Board received a remuneration for their duties. This remuneration did not depend on NN Bank's results.

2.1.8 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.

NN Bank partly complied with the principle as stated above as reflected in the bank's Rules for the Supervisory Board and its appendices.

The members of the Management Board and the members of the Supervisory Board take part in programmes for continuous training. In 2018, these programmes were partly organised by NN Group and partly by NN Bank. Additionally, several individual members followed training programmes on an individual basis during the year. It is very important to NN Bank to have expert policymakers who keep their knowledge up to date. In order to maintain the expertise of the Supervisory Board and to improve their expertise where needed, the bank has a programme of lifelong learning for the Supervisory Board and the Management Board in place. As part of the bank's annual self-assessment process, Supervisory Board members could request further training or education on specific topics covered by the programme of lifelong learning. As part of this programme, members of the Supervisory Board were also able to take part in

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optional third-party courses (or modules) relevant to their areas of responsibility.

In general, the subjects discussed relate to topics addressed in the Banking Code, but they are not limited to these topics. The intention is to ensure that the programme of lifelong learning reflects the bank's daily practice as much as possible and that it responds to the latest developments in the industry. In the past, these programmes covered national and international developments in the financial sector and corporate governance in general and in the financial sector in particular, ICAAP and ILAAP, the duty of care to customers, putting customers' interests first, integrity, risk management, financial reporting and audits.

2.1.9 BANKING CODE

The assessment of the effectiveness of the programme of lifelong learning referred to in principle 2.1.8 shall be part of the annual evaluation performed by the Supervisory Board.

NN Bank applied this principle. The assessment of the effectiveness of the permanent education programme was part of the third party Supervisory Board assessment which was carried out in December 2018.

2.1.10 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.

NN Bank complied with the principle as stated above.

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. In December 2018 an independent external assessment of the Supervisory Board was carried out. 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 were part of this evaluation.

2.1.11 BANKING CODE

As part of its supervisory tasks, the supervisory board shall pay special attention to the bank's risk management processes. 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.

NN Bank partially applied this principle. Risk management topics were discussed by the Supervisory Board as a whole.

2.1.11 BANKING CODE

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.

NN Bank did not apply this principle in 2018, yet. In the last meeting of the Supervisory Board in 2018 it was decided to establish an Audit & Risk Committee, which will start its activities in the course of 2019.

3 Management Board

3.1 Composition and expertise

3.1.1 BANKING CODE

The executive board shall be composed in such a way that it is able to perform its duties effectively, i.e. the board shall be complementary, collegial and diverse.

NN Bank applied this principle.

The Management Board is composed in such a way that it is able to perform its tasks effectively. Members of the Management Board have various backgrounds and areas of expertise in e.g. banking, finance, risk and operations management. Board members are subject to a "fit and proper"-test by DNB in order to ensure that the composition of the Management Board is sufficiently fit and proper. The Management Board recognises the importance of diversity within the board and considers this as priority. The Management Board has two female members. The Management Board acts as a collective body and strives to take decisions on a consensus basis. On a regular basis the Supervisory Board evaluates the functioning of the individual members of the Management Board.

In performing its duties, the Management Board shall carefully consider and act in accordance with the interests of NN Bank, taking into consideration the interests of NN Bank's stakeholders. When considering these interests, the Management Board shall take into account the continuity of the company, the environment in society, in which NN Bank operates, as well as applicable legislation, regulation and codes of conduct.

3.1.2 BANKING CODE

The chairman of the executive board shall organise a programme of lifelong learning, with the aim of keeping the expertise of the members of the executive board at the required standard and improving their expertise where necessary. The programme of lifelong learning 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 to customers, integrity, risk management, financial reporting and audits.

NN Bank applied this principle.

3.1.3 BANKING CODE

Every member of the executive board shall take part in the program referred to in 3.1.3 and meet the requirements of lifelong learning. Every member has to satisfy this condition in order to sit on the executive board. The supervisory board shall

Banking Code Continued

ascertain whether the members of the executive board continue to fulfil the expertise requirements developed by the Dutch central bank DNB.

NN Bank applied this principle. In 2018, the Supervisory Board evaluated the bank's Management Board.

3.1.4 BANKING CODE

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.

NN Bank applied this principle. The Management Board determines the desired risk profile, the corresponding risk appetite and risk policies.

3.1.5a BANKING CODE

One member of the executive board shall be responsible for preparing the decision-making on risk management. This member 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 a 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.

NN Bank applied this principle.

The CRO is responsible for the management and control of risks to ensure that the 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 risk framework of NN Bank is based on the concept of '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. Risk Management considers the importance of financial stability and the impact that systemic risk may have on the risk profile of NN Bank. The CRO is closely involved in risk matters and decisions that may have a material impact on NN Bank.

3.1.5b BANKING CODE

This board 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.

NN Bank adhered to this principle.

3.2 Duties and working practices

appetite and risk policies.

3.2.1 BANKING CODE

In all of its actions, the bank's executive board shall ensure that it carefully considers the interests of all stakeholders, such as the bank's customers, its shareholders and its employees.

These considerations shall take into account the continuity of the bank, the social environment in which the bank operates and the legislation, regulations and codes that apply to the bank.

NN Bank applied this principle. The Management Board is aware of this principle and acts accordingly. This principle is also included in the bankers' oath.

3.2.2 BANKING CODE

The Audit & Risk Committee (A&RC) shall be subject to specific requirements as regards competency and experience. For example, a number of the members of the A&RC must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. Other members of the A&RC must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.

NN Bank's Supervisory Board decided to establish an Audit & Risk Committee, which will start its activities in the course of 2019. NN Bank will therefore apply this principle as of 2019. This will also be reflected in the bank's Board Charters.

3.2.3 BANKING CODE

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 declaration of moral and ethical conduct. A model declaration has been included in the explanatory notes to this code and each bank can supplement it as appropriate.

NN Bank applied this principle.

The principle is also included in the bankers' oath. All members of the Management Board and the Supervisory Board have signed the bankers' oath, which mirrors the text of the declaration of moral and ethical conduct referred to in the Banking Code.

3.2.4 BANKING CODE

The executive board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behavior of all the bank's employees. The content of these principles shall be expressly pointed out to every new bank employee when they join 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.

NN Bank applied this principle.

The duty of care to customers is embedded in (i) the policies and procedures of NN Group and, therefore, those of NN Bank; and (ii) in the relevant communication and marketing documentation. NN Bank recognises that customer focus is an ongoing process. The bank is committed to ensuring that duty of care and customer centricity is fully embedded in its corporate culture. This principle is also included in the bankers' oath. Every person

Banking Code Continued

working for NN Bank, including management and the members of the Management Board and the Supervisory Board, have taken the bankers' oath, which mirrors the text of the declaration of moral and ethical conduct referred to in the Banking Code.

NN Bank strives to:

1. Meet customers' needs throughout their lives
2. Offer fair value to customers
3. Clearly explain the risks, returns and costs of its products and services
4. Assess products, services and sales practices regularly and
5. Work with professional and licensed distributors only

Customer Centricity

Customer centricity was constantly on the agenda of all Supervisory Board meetings. The board was given information on such things as the results of the bank's various customer satisfaction surveys and the feedback on the AFM's overall customer focus improvement plan NN Bank aimed to only offer products that are suitable, transparent, easy to understand and useful to customers. Putting customers' interests first is the starting point for everything the bank does. As such, having a personal relationship with customers, was paramount. To be able to fulfil these promises, NN Bank offered products that are easy to understand. NN Bank employees were permanently and actively involved in initiatives to improve existing processes and/or products for the benefit of the bank's customers. These ensures a level of service that the customer should be able to rely on and represent a culture that appeals to the customer. These core values form part of our performance appraisal system and are therefore embedded in the organisation.

4 Risk management

4.1 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 complied with the principles as stated above.

The Management Board is responsible for systematically checking the management of the risks associated with the business activities of NN Bank and helps to make a balanced assessment of both short-term and long-term interests. The Management Board is responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank's overall risk policy. Other matters considered in this connection are the importance of financial stability and the impact which financial and non-financial risks may have on NN Bank's risk profile and reputation.

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,

Banking Code Continued

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.

4.2 BANKING CODE

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.

NN Bank applied this principle.

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 Balance Sheet Management Committee

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

4.3 BANKING CODE

The Supervisory Board will supervise the risk policy pursued by the Management 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. The Supervisory board shall supervise the risk policy pursued by the executive board. As part of their supervisory duties, 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.

NN Bank partly complied with this principle.

The Management Board determined the risk profile, risk appetite and risk policy. The risk profile and corresponding appetite was approved by the Supervisory Board.

As NN Bank did not have a separate Audit & Risk Committee the activities of a risk committee were performed by the Supervisory Board as a whole. 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. In November 2018, NN Bank's Supervisory Board decided to establish an Audit & Risk Committee as part of the Supervisory Board. This committee will take up its duties in the course of 2019.

The A&RC will oversee the developments and control of the risks the bank runs in connection with its business activities. It will advise the Supervisory Board on a wide variety of issues, including financial reporting, the internal control system and the management of financial risks. The A&RC will also assist the Supervisory Board with the decision-making process and helps the board monitor the development and management of the risks to which the bank is exposed in its activities. The committee does this by carrying out preparatory work in relation to the supervision of the Management Board, the enforcement and effectiveness of the bank's risk management systems and its risk appetite. The A&RC also oversees compliance with laws and regulations as well as the procedures for the preparation and disclosure of the bank's financial statements. The full Supervisory Board remains however collectively responsible for the overall supervision.

4.4 BANKING CODE

The supervisory board shall periodically assess at a strategic level whether the commercial activities in general 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.

NN Bank applied this principle.

The Supervisory Board regularly discussed and assessed whether the bank's commercial activities are appropriate in the context of the bank's risk appetite.

4.5 BANKING CODE

The executive board shall ensure that the bank's risk management processes are structured in such a way that the

executive board is aware in good time of any material risks the bank runs so that these risks can be managed properly. The executive board shall take any decisions that are of material significance for the bank's risk profile, its capital allocation or the liquidity impact.

NN Bank applied this principle.

The principle is embedded in the bank's risk policies and processes. NN Bank has risk committees in place that periodically meet and where the risks the bank runs are addressed, amongst others:

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

The Management Board has delegated its authority to these committees. Members of the Management Board also participate in these committees. Issues that have such a material impact on the bank's risk profile that they exceed the mandate of the risk committees, are discussed and decided upon by the Management Board, or by individual members of the Management Board participating in these risk committees.

4.6 BANKING CODE

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 to customers. Based on an annual risk analysis, the internal 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.

To facilitate the development of new products, the bank had a product approval and review Product Approval and Review Process (PARP) in place, as described in principle 4.5 of the banking code. The Management Board was responsible for the proper implementation and functioning of the PARP process. This process requires all new products and all communication and advertising materials to be reviewed by such departments as Legal, Compliance, Risk Management and Finance, while the internal audit function checks whether it has been correctly set up and all the relevant departments that should supply information are involved. The PARP process always pays explicit attention to customer interests. Key elements in the decision-making process are the quality of the products and the careful and balanced provision of information to customers. Product documentation must be complete, easy to understand and access.

5 Audits

5.1 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 complies with the principles as stated above.

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.

5.2 BANKING CODE

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 executive board and also have a direct reporting line to the chairman of the supervisory board's audit committee.

NN Bank partly complies with the principles as stated above. NN Bank made use of the internal audit function of NN Group as described in 5.1 above.

5.3 BANKING CODE

The internal auditor shall be tasked with 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 their findings to the executive board and the audit committee.

Banking Code Continued

NN Bank partly complies with the principle as stated above. NN Bank made use of the internal audit function of NN Group as described in 5.1 above.

The bank used the internal audit function of NN Group. The Group Audit Charter defines the mandate for the internal audit function and states that both the 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.

5.4 BANKING CODE

The internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee shall consult periodically on such matters as the risk analysis and the audit plan of both the internal auditor and the external auditor. The chairman of the audit committee.

NN Bank partly applied this principle.

The 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 and Supervisory Board of NN Bank, the external auditor and with DNB's chief regulator as well as other relevant in- and external stakeholders. CAS NN Group subsequently periodically exchanges information between these stakeholders in order to update its risk analysis and audit plan. Furthermore, CAS NN Group also attends meetings of the Management Board and the Audit Committee of the Supervisory Board of NN Group and the external auditor of NN Group.

KPMG Accountants N.V. is NN Bank's external auditor for the year 2018. They have attended three Supervisory Board meetings in 2018. The external auditor and the internal audit function maintained regular contact and exchange information. NN Bank's Supervisory Board decided in December 2018 to have an Audit & risk Committee installed, which will take up its tasks in the course of 2019.

5.5 BANKING CODE

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.

NN Bank applied this principle.

The external auditor issued annually a management letter and an audit report to the Management Board and the Supervisory Board, which included relevant findings relating to governance, risk management and control procedures. CAS NN Group and the external auditor shared information on the risk assessments and the audit plan. CAS NN Group also shared its audit reports with the external auditor.

5.6 BANKING CODE

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

NN Bank complied with the principles as stated above.

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 DNB. Subsequently, CAS NN Group exchanges periodically information between these stakeholders in order to update its risk analysis and audit plan (at least quarterly). NN Bank's Supervisory Board decided in December 2018 to have an Audit & risk Committee installed, which will take up its tasks in the course of 2019. In 2018 NN Bank did not have a separate audit committee. The activities of said audit committee are performed by the Supervisory Board as a whole.

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

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. The management letter is discussed between CAS NN Group and the external auditors at the NN Group and business unit level prior to its finalisation.

5.7 BANKING CODE

The internal auditor shall arrange a meeting with DNB 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. The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities.

NN Bank complied with the principle as stated above.

The internal audit department took the initiative and arranged a meeting with DNB and the external auditor in 2018 to discuss each other's risk analyses, findings and audit plans at an early stage

In 2018 there has been a meeting on NN Bank level took place between DNB, the external auditor and CAS NN Group arranged by CAS NN Group. This meeting focused 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.

The bank's Management Board and the internal audit department encouraged these tripartite talks, aiming for a clear delineation of each other's duties and responsibilities. An in-depth discussion of other selected topics took place as well.

6 Remuneration Policy

6.1 BANKING CODE

The bank will implement a meticulous, 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 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 into account when performing their duties in relation to the remuneration policy.

NN Bank partly complied with this principle.

NN Bank is well aware of the public debate about remuneration in the financial industry. NN Group's remuneration policies take into account all applicable regulations and codes, including the Banking Code. The NN Group Remuneration Framework strikes a balance between the interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company.

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Enhance focus on the long-term interest of NN Group and the interest of customers
- Align with company values, business strategy and risk appetite
- Promote and align with robust and effective risk management
- Comply with and support the spirit of the (inter)national regulations on remuneration policies
- Aim to avoid improper treatment of customers and employees
- Create a balanced compensation mix with a reduced emphasis on variable compensation
- Have claw-back and hold-back arrangements in place
- Attract and retain talented personnel

The variable remuneration is linked to clear targets. These targets are, for a large part, non-financial.

As a subsidiary of NN Group, NN Bank falls within the scope of the NN Group Remuneration Framework.

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 Management 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. This principle is reflected in the Charter of the Management Board of NN Group and in the

Charter of the Supervisory Board of NN Group. For more information, refer to the Annual Report 2018 of NN Group.

6.2 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 Bank complied with the principles as stated above.

NN Group 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.