

Application of the Banking Code by Nationale-Nederlanden Bank

Legal & Compliance NN Bank

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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Introduction

On September 9, 2009, the 'Nederlandse Vereniging van Banken' (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 ING Insurance Eurasia, Nationale-Nederlanden Bank has taken the ING Insurance Eurasia 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 2013.

We note that Nationale-Nederlanden Bank merged with parts of WestlandUtrecht Bank in July of 2013, as a result a new bank was established which also received a new banking license from the Dutch Central Bank. In order to report in a consistent and accessible way this report reflects in detail per principle of the Banking Code the situation as of the receipt of the new banking license.

We acknowledge the fact that in the period from 1/1/2013 – 30/06/2013 Nationale-Nederlanden Bank was subject to the Banking Code and its principles. In the aforementioned period Nationale-Nederlanden Bank applied the principles as reflected in the Banking Code in a consistent manner. There are no material exceptions to report. The main differences with the period that is reported in more detail are related to the fact that a number of changes occurred in the governance and risk management as a result of the merger. These can be explained through on the one hand the increased size and scope of the business of the bank and on the other hand the fact that the merger is the result of agreements with the European Commission in relation to the state aid received by ING Group which result in specific commitments to the European Commission in relation to Nationale-Nederlanden Bank.

2 Details - Supervisory Board Nationale-Nederlanden Bank

2 Supervisory Board

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
2.1	Composition and expertise	
2.1.1	The supervisory board shall be composed in such a way that it is able to perform its tasks properly.	Nationale-Nederlanden Bank applies this principle. The charter of the Supervisory Board of Nationale-Nederlanden Bank (hereinafter: the 'Supervisory Board') reflects this principle.
2.1.2	Complementarity, a collegial board, independence and diversity are preconditions for the supervisory board to perform its tasks properly. 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.	As from June 24, 2013 the members of the Supervisory Board were: Hein Blocks, president and former Board member of Generale Bank Nederland, Director Nederlandse Vereniging van Banken and Director a.i. of the KiFiD John Boers, vice-president and until October 31, 2013 Head of ING Insurance Investments and from November 1, 2013 Head Corporate Operational Risk Management ING Insurance Eurasia Delfin Rueda, CFO NN Group Doug Caldwell, CRO NN Group 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. Based on the nature, scale and complexity of Nationale-Nederlanden Bank, the Supervisory Board has four members. Nationale-Nederlanden Bank considers this number sufficient for the Board to exercise its function. John Boers will resign from the Supervisory Board and Chanh Huynh Cong will be appointed as a new member as of 1 May 2014. Until this date John Boers will remain in function.

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
2.1.3 and 2.1.4	<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.</p> <p>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 on a collective basis. This principle is reflected in the charter of the Supervisory Board and in the 'Profielschets Raad van Commissarissen Nationale-Nederlanden Bank N.V.' (Profile of the Supervisory Board Nationale-Nederlanden Bank NV ').</p> <p>All members have the expertise to fulfill their role.</p>
2.1.5	<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 on a collective basis. This principle is reflected in the charter of the Supervisory Board.</p> <p>At the moment of the merger with (parts of) WestlandUtrecht Bank, one of the former members of the supervisory board of WestlandUtrecht Bank (Hein Blocks) has been appointed as chairman of the supervisory board of NN Bank.</p> <p>There was no vacancy in the period between the merger (July 2013) and December 2013.</p>
2.1.6	<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. As from the merger of NN Bank and (parts of) WestlandUtrecht Bank the members met three times in a formal meeting of the Supervisory Board. In addition, the chairman had frequent telephone consultations and has been regularly visiting Nationale-Nederlanden Bank on location.</p> <p>The Supervisory Board members have proven to be quickly available for consultation if needed.</p>
2.1.7	<p>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>	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Supervisory Board reflects this principle.</p> <p>The chairman of the supervisory board receives a remuneration for his duties. The remuneration is not dependent on the result of Nationale-Nederlanden Bank.</p>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
2.1.8	<p>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>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Supervisory Board.</p> <p>To improve their expertise where needed, a Permanent Education Programme 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 Programme.</p> <p>Since July 2013 there has been one collective PE-session. Subjects dealt with in this PE meeting on November 21 are: Impact of Basel 3 and CRD IV and Landscape of Credit Cards. Members of the Supervisory Board have made use of 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. As the app is in Dutch, Delfin Rueda and Doug Caldwell followed additional PE-sessions on October 30 (Credit Risk) and November 26 (Market Risk).</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>
2.1.9	<p>The assessment of the effectiveness of the lifelong learning referred to in principle 2.1.8 shall be part of the annual evaluation performed by the supervisory board.</p>	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Supervisory Board reflects this principle.</p> <p>The Supervisory Board has evaluated the effectiveness of the Permanent Education instruments available on December 17, 2013.</p>
2.1.10	<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 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>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
2.2	Tasks and working methods	
2.2.1	<p>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>	<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	<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. Because of its size the Supervisory Board did not set up a separate risk committee and audit committee. However, specific requirements regarding competence and experience are reflected in the Supervisory Board as a whole. The 'Profielschets Raad van Commissarissen Nationale-Nederlanden Bank N.V.' (profile of the Supervisory Board Nationale-Nederlanden Bank NV) addresses the required expertise.</p>

3 Details - Executive Board

Nationale-Nederlanden Bank

3 Executive Board

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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.</p> <p>As of June 24, 2013 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 (appointed on July 1 2013, instead of June 24)
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>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
3.1.3	<p>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>	<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. Since July 2013 there has been one collective PE-session. Subjects dealt with in this PE meeting on November 21 are: Impact of Basel 3 and CRD IV and Landscape of Credit Cards. All Management Board Members have made use of 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	<p>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>	<p>Nationale-Nederlanden Bank applies this principle. This principle is reflected in the charter of the Management Board. The Supervisory Board has ascertained in the annual evaluation of the Management Board on December 17 2013 that this principle is adhered to.</p>
3.1.5	<p>Each year, the bank shall indicate in its annual report in what manner it implemented principles 3.1.3 and 3.1.4.</p>	<p>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.</p>
3.1.6	<p>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>	<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>

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>
3.1.8	<p>The member of the executive board who is responsible for preparing the decision-making with regard to risk management may combine his or her function with other focus areas, on the condition that he or she does not bear any individual commercial responsibility for the commercial task areas and operates independently from those areas.</p>	<p>Nationale-Nederlanden Bank applies this principle. The charter of the Management Board ensures adherence to this principle.</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>
3.2	Tasks and working methods	
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 ING Insurance Eurasia', article 3.2.1.</p>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
3.2.2	<p>Maintaining a continued focus on its clients' interests is a necessary precondition for the continuity of the bank. Without prejudice to the principle formulated in 3.2.1, the executive board shall ensure that the bank always treats its clients with due care. The executive board shall see to it that the duty of care for the client is embedded in the bank's culture.</p>	<p>In order to apply this principle the duty of care for clients is embedded in ING Insurance Eurasia – of which Nationale-Nederlanden Bank is part – policies, procedures, communication and marketing.</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 ING Business Principles 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. A template of the Moral Ethical Conduct Statement can be found on www.ing.com .</p> <p>The banking oath has been signed by all members of the Management Board and the Supervisory Board without modification. Erik Muetstege took this oath on August 23 2013 and the rest of the members of both boards took the oath on August 28 2013</p> <p>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>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
		<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 NN 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. The charter of the Management Board embodies this principle.</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. Erik Muetstege took this oath on August 23 2013 and the rest of the members of both boards took the oath on August 28 2013.</p>
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 ING Group and uses the Business Principles of ING. The ING Business principles cover all aspects of the Moral and Ethical Conduct statement prescribed by the Banking Code.</p> <p>Specific reference to the ING Business Principles is included in the Dutch employee contracts. The Management Team and the Management Board Members have, in their strategic plans for 2013 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>More information on the ING Business Principles can be found on www.ing.com.</p>

4 Details - Risk Management

4 Risk Management

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
4.1	Composition and expertise	
4.1	<p>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>	<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 April 2 2013. The risk profile is a standard subject on the agenda of the Supervisory Board meetings as part of the Risk-report. The risk profile was discussed on June 26, August 28, October 8 and December 17 2013.</p>
4.2	<p>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>	<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 2013, the risk profile has been approved by the Supervisory Board and discussed on June 26, August 28, October 8 and December 17.</p>
4.3	<p>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>	<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 assess whether the commercial activities of Nationale-Nederlanden Bank are appropriate in the context of the risk appetite of Nationale-Nederlanden Bank.</p>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
4.4	<p>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>	<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) • The Sox Committee (minimum on a half year basis) <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	<p>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>	<p>Nationale-Nederlanden Bank applies this principle. 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.</p> <p>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 Eurasia. The audit activities are determined on the basis of a risk analysis.</p>

5 Details - Audits

5 Audits

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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 data-bbox="869 616 1493 728">Nationale-Nederlanden Bank applies this principle. Nationale-Nederlanden Bank makes use of the internal audit function of ING Eurasia.</p> <p data-bbox="869 761 1493 1265">ING Insurance Eurasia has an internal audit function – Corporate Audit Services Eurasia (CAS Eurasia) – that prepares a yearly risk based audit plan which is discussed with the Management Board of ING Insurance Eurasia and the Audit Committee of the Supervisory Board of ING Insurance Eurasia 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 ING Insurance Eurasia and the Audit Committee of the Supervisory Board of ING Insurance Eurasia on an individual basis when so escalated and on aggregated level via quarterly reporting.</p> <p data-bbox="869 1299 1493 1579">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 data-bbox="869 1612 1493 1677">This principle is reflected in the CAS Eurasia Charter and the Charter of the Management Board.</p>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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.	Nationale-Nederlanden Bank applies this principle. Nationale-Nederlanden Bank makes use of the internal audit function of ING Eurasia. CAS Eurasia is independently positioned within the organisation. CAS Eurasia staff report to the General Manager of CAS Eurasia, who reports directly to the chairman of the Management Board of ING Insurance Eurasia and functionally to the General manager of CAS Group and the Supervisory Board of ING Insurance Eurasia. Respective audits for Nationale-Nederlanden Bank specific are also reported to the Management Board and the Supervisory Board of Nationale-Nederlanden Bank.
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 ING Eurasia.</p> <p>The CAS 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 Eurasia reports the findings and the overall level of control to among others the Management Board and the Audit Committee of ING Insurance Eurasia 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>
5.4	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. Nationale-Nederlanden Bank makes use of the internal audit function of ING Eurasia. CAS Eurasia prepares and discusses its risk analysis and audit plan with the Management Board, the Audit Committee of the Supervisory Board, the external auditor and with the lead regulator DNB as well as other relevant in- and external stakeholders. Subsequently CAS Eurasia exchanges periodically information between these stakeholders in order to update its risk analysis and audit plan (at least quarterly). Furthermore, CAS Eurasia is present in meetings of the Management Board and the Audit Committee of 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>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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. 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 Eurasia and the external auditor exchange information with regard to risk assessments and audit plan. CAS Eurasia 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 DNB, the external auditor and CAS Eurasia arranged by CAS Eurasia. These meetings focus on sharing and discussing risk assessments, the audit plan, CAS Eurasia reports, external auditor's management letter and in-depth discussion on selected topics.</p>

6 Details - Remuneration Policy

6 Remuneration Policy

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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 ING Insurance Eurasia Remuneration Framework applies to all subsidiaries including Nationale-Nederlanden Bank. The remuneration policy of ING Insurance Eurasia takes into account all applicable regulations and codes. The ING Insurance Eurasia 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 ING Insurance Eurasia Remuneration Framework are as follows:</p> <ul style="list-style-type: none"> • Enhance focus on the long term interest of ING Insurance Eurasia 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 most recent version of the ING Insurance Eurasia Remuneration Framework has been approved by the Supervisory Board of ING Insurance Eurasia on 11 June 2013. For more information, refer to ING Group's Annual Report 2013 and the publication "application of the Insurers' Code by ING Insurance Eurasia".</p>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
6.2	Governance	
6.2.1	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>As a subsidiary of ING Insurance Eurasia N.V. ('ING Insurance Eurasia'), Nationale-Nederlanden Bank is in scope of the ING Insurance Eurasia Remuneration Framework.</p> <p>The ING Insurance Eurasia Supervisory Board has approved the ING Insurance Eurasia Remuneration Framework which includes the remuneration policy for senior management and the general remuneration principles for all staff.</p> <p>The Insurance Supervisory Board annually reviews the ING Insurance Eurasia Remuneration Framework as well as the enforcement thereof. The ING Insurance Eurasia Remuneration Framework includes provisions with regard to claw back, hold back, severance payments and retention payments. The ING Insurance Eurasia Supervisory Board reviews material retention payments, exit and welcome packages, to assess that these are consistent with the ING Insurance Eurasia Remuneration Framework and to ensure that these are not excessive.</p> <p>This principle is reflected in the Charter of the Supervisory Board of ING Group and in the ING Insurance Eurasia Remuneration Framework.</p> <p>The Supervisory Board of NN Bank is involved in the appraisal of the members of the Management Board of NN Bank as part of the overall applicable framework.</p> <p>For more information, refer to ING Group's Annual Report 2013 and the publication "application of the Insurers' Code by ING Insurance Eurasia".</p>
	b. The supervisory board also approves the remuneration policy for the senior management and oversees its implementation by the executive board.	Refer to 6.2.1.a
	c. Additionally, the supervisory board approves the principles of the remuneration policy for other bank employees.	Refer to 6.2.1.a
	d. The bank's remuneration policy shall also comprise the policy on awarding retention, exit and welcome packages.	Refer to 6.2.1.a

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>As a subsidiary of ING Insurance Eurasia , Nationale-Nederlanden Bank is in scope of the ING Insurance Eurasia Remuneration Framework. According to this Framework, the approval from the Insurance Eurasia Supervisory Board is required for Management Board proposals and for high earner proposals.</p> <p>The ING Insurance Eurasia Supervisory Board annually discusses the assessment by the Management Board whether variable incomes are consistent with the ING Insurance Eurasia Remuneration Framework and the applicable provisions of the Insurer’s Code, with special attention to the highest variable incomes. This is part of ING Insurance Eurasia’s annual compensation review.</p> <p>The Insurance Supervisory Board also reviews material retention, exit and welcome packages, to assess that these are consistent with the ING Insurance Eurasia Remuneration Framework and to ensure that these are not excessive.</p> <p>For more information, refer to the publication “application of the Insurers’ Code by ING Insurance Eurasia” on www.ing.com.</p> <p>The Supervisory Board of NN Bank is confident that the principle is sufficiently covered by the ING Eurasia Framework.</p> <p>This principle is reflected in the Charter of the Supervisory Board of ING Group and in the ING Insurance Eurasia Framework.</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

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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 ING Insurance Eurasia, Nationale-Nederlanden Bank is in scope of the ING Insurance Eurasia Remuneration Framework. This Framework reflects this principle. The remuneration of the management board of Nationale-Nederlanden Bank is in line with the Insurance Eurasia 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.	<p>Nationale-Nederlanden Bank applies this principle. The remuneration policy that applies to the Management Board fully complies with the criteria as laid down in this principle.</p> <p>In accordance with the ING Insurance Eurasia Remuneration framework no severance pay will be paid in case of failure.</p>
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 ING Insurance Eurasia, Nationale-Nederlanden Bank is in scope of the Insurance Eurasia Remuneration Framework. As a result, Nationale-Nederlanden Bank applies this principle. The performance targets of the members of the Nationale-Nederlanden Bank Management Board 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 3-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 1-year retention period. The deferred shares will not be paid until a 3-year tiered vesting period has been completed after which a 1 year retention period follows.</p>

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 ING Insurance Eurasia, Nationale-Nederlanden Bank is in scope of the Insurance Eurasia Remuneration Framework.</p> <p>Nationale-Nederlanden Bank is part of ING Insurance Eurasia and applies the Insurance Eurasia Remuneration Framework for shares that are awarded. The same principles apply for all senior management (provided for the Management Board of Insurance Eurasia for which a five year holding period applies) and therefore, the conditions as mentioned under 6.3.3 are applicable. This means that the upfront shares are subject to a 1 year retention period. The deferred shares have a 3-year tiered vesting after which a 1 year retention period follows.</p>
6.4	Variable remuneration	
6.4.1	The allocation of variable remuneration shall be related to the bank's long-term objectives.	<p>Nationale-Nederlanden Bank applies this principle. As a subsidiary of ING Insurance Eurasia, Nationale-Nederlanden Bank is in scope of the Insurance Eurasia 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.</p>
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 our staff, the Collective Labour Agreement applies. Herein 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.	<p>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 ING Insurance Eurasia Remuneration Framework applicable to all Staff.</p>

Art.	Text Banking Code	Application by Nationale-Nederlanden Bank
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. 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 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 the Eurasia 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.	For Nationale-Nederlanden Bank this principle is applied by the Supervisory Board of ING Insurance Eurasia. This authority of the Supervisory Board of ING Insurance Eurasia is reflected in the charter of the Supervisory Board of ING Insurance Eurasia.
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).	For Nationale-Nederlanden Bank this principle is applied by the Supervisory Board of ING Insurance Eurasia. This authority of the Supervisory Board of ING Insurance Eurasia is reflected in the charter of the Supervisory Board of ING Insurance Eurasia.