

# Compliance with Dutch Banking Code

In October 2014, the Dutch Bankers Association published the revised Banking Code ('Banking Code') as part of a package of new developments for the Dutch banking industry called 'Future-Oriented Banking'. The new Banking Code came into effect on 1 January 2015. NIBC Bank N.V. ('NIBC') is of the opinion that the principles of the Banking Code fit in well with its vision, objectives and business principles. The following is an overview of all principles in the Banking Code and the manner in which NIBC applies them. In addition the overview elaborates on the progress made in applying the principles and gives certain specific examples on how the principles are applied.

## Banking Code 2015

### I. Sound and ethical operation

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 for sustainability and corporate social responsibility.

A bank chooses its positioning 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.

The executive board and supervisory board are –with due regards for each other's duties and powers- responsible for setting up a sound governance structure and compliance with the governance principles.

## Implementation by NIBC and progress made

NIBC's Mission, Vision, Ambition and strategy can be found at [nibc.com](http://nibc.com). The NIBC strategy is focused on creating value in relation to our clients' most decisive moments. Through it, we aim to achieve our objectives of developing a sustainable franchise with strong solvency, solid liquidity and profitable and sustainable growth. NIBC determined 3 key values: professional, entrepreneurial and inventive. These values guide us in our markets: focus, entrepreneurial culture and flexibility. They also enable us to work towards long-term customer relationships, sustainability and profitable growth, while safeguarding our balance sheet.

We believe sound sustainability standards are a prerequisite for being a successful business and always look to ensure that our products and services are transparent, trustworthy and sustainable. We stay abreast of developments in the world around us, which helps us to better understand the risks and opportunities that sustainability may bring for our clients.

It is crucial for NIBC that corporate governance and reporting lines are sound and transparent. NIBC has a matrix organisation with both hierarchical and functional reporting lines. We believe sound sustainability standards are a prerequisite for being a successful business. That is why we look to support our clients through products and services that are wholly transparent, trustworthy and sustainable. We also aim to stay abreast of sustainability developments taking place in the world around us, to find out how best to serve our clients, and to be good corporate citizens in the communities in which we operate.

NIBC's sustainability strategy is aligned with our business strategy, and each department is responsible for managing sustainability as part of their activities. For example, business teams apply the Sustainability Framework in their client interaction, Facilities & Services manages NIBC's energy efficiency programme, and Human Resources is responsible for sustainability in our human resource activities.

NIBC's corporate governance model is based on constructive and transparent cooperation between shareholders, the supervisory board with its four subcommittees, and the managing board. This cooperation is laid down in a framework of governance charters, with clear guidelines for the assignment of duties and responsibilities in the fields of financial reporting, risk management, compliance, corporate governance, corporate social responsibility and remuneration policy.

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 executive board are setting an example each year.

The executive board and supervisory board are –with due regard for each other's duties and powers- responsible for developing 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 executive board and supervisory board.

The executive board will promote responsible behavior and a healthy culture both at the top of the bank and throughout its organization. In this, it will consider the interests of the bank's customers and other stakeholders. The supervisory board supervises this.

A bank's culture must also express the assumptions in the

Monthly a Food for thought meeting is organized in which a small number of employees meet with a member of the managing board. Employees are invited to voluntarily apply for such a meeting that takes place without an agenda as a consequence whereof all kind on questions and subjects are discussed. Often there is a conversation about dilemmas and culture matters. On a regular basis All Staff Meetings are organised in which the CEO and other management update all staff on latest developments. These meetings have an informal set up and there is ample room for questions from staff members. These sessions are also organised in the international offices. The RNC yearly evaluates the performance of the individual Board members and exemplary behaviour is taken into account in the assessment. Also input from senior management is asked on how the individual board members score on embodying NIBC's culture. The chairman of the RNC informally meets on a regular basis with senior managers and senior management joins the Supervisory Board for an informal lunch at least 4 times a year.

In 2015 and 2016, culture and leadership was a prominent subject on the agenda of NIBC's senior management meetings. NIBC's three key values were determined in preparation of our new campaign: professional, entrepreneurial and inventive. These values came about with intensive input and discussion from NIBC's senior management. Following internal sessions with our employees, it transpired that integrity is considered an essential part of the core value 'professional'. The three core values are incorporated into our training programme offered via NIBC Academy. NIBC's talent programme also regularly addresses culture and conduct, among other areas, by organizing training sessions on these subjects led by external experts. In preparation towards the Banking on Trust event that took place on 7 February 2015 a bank wide (obligatory) e-learning on trust & integrity was conducted by all employees of NIBC The Hague.

The head of Compliance reports directly to the Chief Risk Officer of NIBC and has a direct line with the Chairman of the Risk Policy & Compliance Committee (RPCC). The Managing Board is end responsible for providing adequate market conduct and integrity related compliance within NIBC. The head of IT reports directly to the Chief Financial Officer. That way it is assured that IT is properly addressed and taken into account at board level an across the rest of the organisation.

We strive to be a trustworthy, transparent and sustainable bank. We act with integrity to inspire clients' trust and adhere to the letter and spirit of all applicable laws. At NIBC we have frameworks, standards and policies, including a Code of Conduct, business principles and compliance framework that are the formal basis for our culture of integrity and trust. We also know that trustworthiness goes far beyond rules and regulations: just as crucial to our culture are the way we act and the values we display in all our daily work. That is why we continuously work to earn, maintain and strengthen the trust of our clients, employees and other stakeholders. As part of the banker's oath ceremony (new) employees of NIBC put their signature on a mirror with the banker's oath on it as if it reflects the mirror of their soul. The mirror has a prominent place in the entrance of the bank. Also the members of the Managing Board and Supervisory Board have put their signature on this mirror.

NIBC strives to be a bank with a sustainable and client

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

All employees will comply with the formal regulations and self-regulation that apply to them. The executive board and supervisory board are –with due regard for each other's duties and powers- responsible for this. The executive 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.

## 2. Supervisory Board

The supervisory board will be composed in such a way that it is able to perform its tasks 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.

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 experience 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.

The chairman of the supervisory board will organize 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

oriented business model, which their customers can count on and want to be associated with. The general strategy and the interlinked Risk Strategy are laid down in risk appetite frameworks. To best serve the interest of all our stakeholders over the long term, our strategy seeks to strike a sustainable balance between risk and return, while keeping costs under control. This is supported by our risk management approach, which ensures responsible banking, in line with regulatory requirements and ethical, environmental and social standards.

The managing board has delegated to Compliance the task to make sure NIBC and its staff members adhere to relevant external legislation & internal procedures aimed at integrity and behavior. Compliance provides training and advice to all staff. For example, in preparation towards the Banking on Trust event that took place on 7 February 2015 a bank wide (obligatory) e-learning on trust & integrity was conducted by all employees of NIBC The Hague.

NIBC complies. In accordance with the articles of association of NIBC, the supervisory board determines the number of its members such that it and its committees are able to properly perform their functions in relation to NIBC's nature, size and complexity. NIBC's supervisory board has a risk policy committee and an audit committee. The current composition of the supervisory board offers sufficient assurance of independence, expertise and diversity. As of March 2013, the supervisory board consists of nine members. Five members have expertise in banking and four members are financial experts. Other members also have expertise in the fields of compliance, corporate governance, internal governance and CSR, backgrounds in industry or as all-round managers. The supervisory board consists of nine members of diverse nationalities: four are Dutch and the others are Australian, German, Belgian and American. With the appointment as per 19 August 2014 of Mrs. K.M.C.Z. Steel as member of the supervisory board there are now two female members. For the concept of independence of the supervisory board members we adhere to the independence criteria laid down in the updated Dutch Corporate Governance Code. In 2012 an assessment was made on the independence of the supervisory board members, four members of the supervisory board do not qualify as formally independent.

Sustainability is not only the responsibility of the CSR Team. For NIBC, this is an integral part of how we do business. Reflected in our Code of Conduct, it is our duty to constantly and carefully balance the diverse interests of our stakeholders.

NIBC complies. These requirements are embedded in the profile of the supervisory board and are taken into consideration in case of a vacancy within the supervisory board.

NIBC complies. The lifelong learning programme covers matters such as relevant developments in the banking and financial sector, Corporate Governance, duty of care towards customer / 'Client First', integrity, Risk Management and financial reporting. In 2015 permanent sessions were organized

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 customers, integrity, IT infrastructure, risk management, financial reporting and audit. Every member of the supervisory board will take part in the programme and meet the requirements for lifelong learning. The assessment of the effectiveness of the programme of lifelong learning will be part of the annual evaluation performed by the supervisory board.

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 executive board will be part of the evaluation.

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

### 3. Executive Board

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

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

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

The chairman of the executive board will organize a programme of lifelong learning for all members of the executive 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

on IFRS 9, rating models and the drivers, and the Dutch Real Estate Market. In 2016 there was a session on capital markets solutions provided by the Chief Executive Officer of SNS Securities N.V.

NIBC complies. The supervisory board conducted an internal evaluation of its performance in 2014. At the end of 2014, an external evaluation of the supervisory board was initiated. The outcome of the external evaluation was available in the first quarter of 2015. The outcome was extensively discussed in the meeting of the Supervisory Board of 3 March 2015. Main takeaways were that overall the members of the Supervisory Board were satisfied with the size of the board and consider that it operates as a well-oiled machine. One of the follow up actions from the report was to create clarity on alignment on strategy and performance and to let the members of the supervisory board spend more time on getting to know key people of NIBC. An example of this it that after the meetings of the supervisory board a lunch is organized with a delegation of NIBC's senior staff. A delegation of the supervisory board meets with members of the Employees Counsel on a regular basis. At the end of 2016 a full external review will be conducted.

NIBC complies.

NIBC complies. NIBC's Managing Board is composed in such a way that it is able to perform its tasks properly thereby focusing on complementarity and diversity. Reflected in our Code of Conduct, it is our duty to constantly and carefully balance the diverse interests of our stakeholders. The Managing Board members have a diverse background within and outside the banking sector, which enables them to take into account interests of all stakeholders (including clients, employees and shareholders).

NIBC complies. The Chief Risk Officer is member of the managing board in which all decisions that are of material significance for the bank are taken. In our liquidity framework as well as in our event risk / stress testing framework NIBC assesses the impact of systemic risk on the risk profile of NIBC.

NIBC complies. Systemic risk is taken into account in the bank's stress testing framework, especially for credit and liquidity stress testing.

NIBC complies. The chairman of the managing board, in consultation with the Remuneration and Nominating Committee, agreed that a minimum of five days per year will be spent on lifelong learning with two days combined as a managing board meeting on such issues as risk, compliance,

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 customers, integrity, risk management, financial reporting and audit. Every member of the executive board will take part in the programme and meet the requirements of for lifelong learning.

## 4. Risk Policy

A bank's risk policy is characterized 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.

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

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

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

## 5. Audit

A bank's executive board will ensure that a systemic 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 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.

The internal audit department, external auditor and the supervisory board's audit committee will consult periodically.

The internal audit department will take the initiative in arranging talks with DNB (the Dutch Central Bank) and the external auditor at least once a year to discuss each other's risk analyses, findings and audit plans at an early stage.

The bank's executive board and internal audit department will encourage these tripartite talks, aiming for a clear

finance and financial targets with another two days spent individually on personal development needs and one day on networking and industry conferences. For example in 2016 permanent education sessions were organized in relation to capital market solutions and on how to deal with complex legacy real estate transactions. In addition the board members continuously spend time on staying on top of new developments, e.g. by board sessions on Fintech, 'Inspiration Monday' sessions (open to all NIBC staff) and participating in the educational program of the Singularity University (by two board members).

NIBC complies. The bank has developed an overarching Risk Management policy/framework, which covers the risks it is exposed to (both financial and non-financial, including reputation risk), and explains how these risks are managed among the 3 lines of defense. Furthermore, the policy explains the roles and responsibilities of the various risk committees. For every risk type, NIBC has drafted detailed documentation on the way each risk is measured, monitored and managed. The owner of the Risk Management Policy is the Chief Risk Officer, member of the managing board; the managing board endorses the content of the policy and considers it to be a cornerstone for the business NIBC conducts.

NIBC also has a comprehensive risk appetite framework ('RAF'), which is proposed for approval by the managing board to the supervisory board at least once a year. Any change in the bank's RAF needs to be approved by the supervisory board. The bank's risk committee, managing board and supervisory board are informed of the risk profile of the bank vis-à-vis the risk appetite on a quarterly basis. Explicit elements of NIBC's RAF are liquidity and capital. Furthermore, strategic initiatives of the bank are assessed for their fit within the RAF.

NIBC complies. NIBC has an internal audit department. NIBC's Internal Audit provides an independent, objective assurance function designed to add value and improve NIBC's operations, accordingly reflected in the Charter of Internal Audit: Through a systematic and disciplined approach, Internal Audit helps NIBC to accomplish its objectives by evaluating and improving the effectiveness of risk management, control, and governance processes

NIBC complies. NIBC's Internal Audit is independently positioned within the NIBC organization. The Head of Internal Audit reports directly to the Chairman of the Managing Board and functionally to the (Chairman of the) Audit Committee of the Supervisory Board.

At least quarterly meetings are being held between the Audit Committee of the Supervisory Board, the external auditor and Internal Audit, and periodic meetings between the external auditor and Internal Audit. These meetings include discussing and agreeing risk analysis and audit plans.

NIBC complies. Tripartite talks with DNB, external auditor and Internal Audit are arranged for periodically. The meeting to discuss risk analyses, findings and audit plans was held in December 2015. The audit plan is also discussed in the Supervisory Board meeting in presence of the external auditor. In addition to the tripartite talks, the Supervisory Boards also meets with DNB each year.

delineation of each other's duties and responsibilities.

## 6. Remuneration Policy

The bank will implement a detailed, restrained and long-term focus remuneration policy that is unambiguous and transparent and in line with the national and international regulations.

The remuneration policy will have a 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 total income of a member of a bank's executive board will at a time it is set be below the median for comparable positions inside and outside the relevant international context.

The variable remuneration of a member of the executive board will be set in accordance with national and international regulations.

NIBC Complies. NIBC's remuneration policy is annually reviewed and amended to fulfill relevant laws, regulations and guidelines.

NIBC complies. The remuneration policy has a long term focus and is in line with the bank's risk policy. All employees have a pre agreed set of financial and non-financial (at least 50%) targets. Their performance assessment takes into account the achievement of pre agreed targets, how they have behaved according to NIBC's business principles, as well as their contribution towards the bank's long term objectives. One of the main non-financial performance aspects is compliance with all relevant internal requirements and external regulations. Other non-financial performance aspects include client satisfaction, transparency and sustainability.

NIBC complies. In the Supervisory Board meeting of November 2015 it was confirmed that the total compensation for members of the Managing Board is set below the median of their peers in the peer group, based on benchmark data provided by external independent compensation consultants.

NIBC complies. The annual variable component for the members of the Managing Board is at target 15% of base salary (with a maximum of 20% of base salary). NIBC's variable remuneration is delivered in a pre-defined mix (same as for other Identified Staff): 30% cash, 20% deferred cash, 30% PSU's and 20% unvested PSU's. In this way NIBC complies with regulations that require Identified Staff to receive 50% of all variable remuneration in the form of equity or equity linked instruments and for 40% of both the cash and equity component to be deferred. For the Managing Board, the holding period of the equity inked instruments is set to five years as required by law.